

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4643-01
Bill No.: HB 1746
Subject: Taxation and Revenue - Sales and Use; Firearms
Type: Original
Date: March 7, 2016

Bill Summary: Authorizes a tax exemption for firearms and ammunition

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$2,985,618)	(\$3,582,741)	(\$3,582,741)
Total Estimated Net Effect on General Revenue	(\$2,985,618)	(\$3,582,741)	(\$3,582,741)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
School District Trust	(\$995,206)	(\$1,194,247)	(\$1,194,247)
Conservation Commission	(\$124,400)	(\$149,280)	(\$149,280)
Parks, and Soil & Water	(\$99,520)	(\$119,424)	(\$119,424)
Total Estimated Net Effect on Other State Funds	(\$1,219,126)	(\$1,462,951)	(\$1,462,951)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	(\$3,861,398)	(\$4,633,678)	(\$4,633,678)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Economic & Policy Analysis Research Center (EPARC)** at the University of Missouri assume, based upon collections data from the U.S. Department of Treasury from excise taxes levied on the purchase of firearms and ammunition (FY 2012-FY2015) as well as 2014 Personal Consumption Expenditures data and state Gross Domestic Product data from the Bureau of Economic Analysis, that it is estimated that Missourians purchase \$119,424,684 in firearms and ammunition annually. Therefore, at the current 3% sales tax rate, EPARC estimates gun and ammunition purchases generate approximately \$3,582,741 in annual sales tax.

Officials from the **Office of Administration - Division of Budget and Planning (OA-B&P)** assume the proposal will exempt all sales of firearms and ammunition from state and local sales tax and indicated OA-B&P does not have the taxable sales amount for guns and ammunition.

OA-B&P estimated that based upon FBI gun background checks, there may have been 517,063 guns purchased in Missouri in 2014 at an average estimated price of \$1,000 each, yielding \$517,063,000 in taxable gun sales. OA-B&P also estimated annual ammunition sales at \$1,502,200,000.

Oversight will use EPARC estimates to calculate the Total State Revenue, General Revenue and other state and local revenue reductions in the preparation of this fiscal note as that estimate is based upon excise tax data from the U.S. Department of Treasury.

Officials from the **Department of Conservation (MDC)** and the **Department of Natural Resources (DNR)** assume an unknown negative fiscal impact to Conservation Commission Fund and Parks and Soils Sales Tax Funds. Furthermore, both MDC and DNR assumed the Department of Revenue would be better able to estimate the anticipated fiscal impact.

Officials from the **Department of Public Safety-Highway Patrol** and the **Department of Revenue (DOR)** assume no fiscal impact to their organizations. DOR assumes a negative impact to state revenues.

Officials from **St. Louis County** and the **City of Kansas City** assume a loss of revenue in an unknown amount from this proposal.

Oversight will use a 3.88% local sales tax rate (an average calculated based upon collections reported by DOR) in estimating the fiscal impact to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Revenue Reduction-</u>			
Sales tax exemption on guns and ammunition	<u>(\$2,985,618)</u>	<u>(\$3,582,741)</u>	<u>(\$3,582,741)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$2,985,618)</u>	<u>(\$3,582,741)</u>	<u>(\$3,582,741)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction-</u>			
Sales tax exemption on guns and ammunition	<u>(\$995,206)</u>	<u>(\$1,194,247)</u>	<u>(\$1,194,247)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$995,206)</u>	<u>(\$1,194,247)</u>	<u>(\$1,194,247)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction-</u>			
Sales tax exemption on guns and ammunition	<u>(\$124,400)</u>	<u>(\$149,280)</u>	<u>(\$149,280)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$124,400)</u>	<u>(\$149,280)</u>	<u>(\$149,280)</u>
PARKS, SOIL & WATER FUND			
<u>Revenue Reduction-</u>			
Sales tax exemption on guns and ammunition	<u>(\$99,520)</u>	<u>(\$119,424)</u>	<u>(\$119,424)</u>
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUND	<u>(\$99,520)</u>	<u>(\$119,424)</u>	<u>(\$119,424)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL GOVERNMENTS			
<u>Revenue Reduction-</u> Sales tax exemption on guns and ammunition	<u>(\$3,861,398)</u>	<u>(\$4,633,678)</u>	<u>(\$4,633,678)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(\$3,861,398)</u>	<u>(\$4,633,678)</u>	<u>(\$4,633,678)</u>

FISCAL IMPACT - Small Business

Small businesses engaged in the business of selling guns and ammunition would be expected to incur a fiscal impact as a result of this proposal.

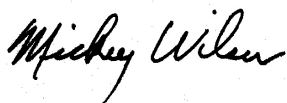
FISCAL DESCRIPTION

This proposal authorizes a state and local sales and use tax exemption for all sales of firearms and ammunition.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

University of Missouri Economic & Policy Research Center
Office of Administration-
 Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Public Safety-
 Missouri State Highway Patrol
Department of Revenue
St. Louis County
City of Kansas City



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Mickey Wilson, CPA
Director
March 7, 2016

Ross Strobe
Assistant Director
March 7, 2016