

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Benjamin L. Cline

3. **Committee** House Finance

4. **Title** Income Tax Credit; Purchase of Gun Safe

2. **Bill Number** HB 2393

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish an individual income tax credit for the purchase of a gun safe. The credit would equal 50 percent of the purchase price paid for any gun safe with a selling price of \$500 or less. An individual may not claim more than \$100 in tax credits for all taxable years. The Department would be authorized to issue up to \$250,000 in tax credits each year.

This bill would be effective for taxable years beginning on and after January 1, 2017, but prior to January 1, 2022.

6. **Budget amendment necessary:** Yes.

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7. **Fiscal Impact Estimates are: Preliminary.** (See Line 8.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2016-17	\$0	GF
2017-18	(\$250,000)	GF
2018-19	(\$250,000)	GF
2019-20	(\$250,000)	GF
2020-21	(\$250,000)	GF
2021-22	(\$250,000)	GF
2022-23	(\$250,000)	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

This tax credit would be subject to an annual fiscal year cap of \$250,000, with each taxpayer limited to a total tax credit of no more than \$100. Therefore, the \$250,000 credit cap would be met if 2,500 taxpayers were eligible to claim a credit of \$100 each. It is estimated that the annual cap would likely be met or exceeded for each fiscal year.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposed Legislation

This bill would establish an individual income tax credit for the purchase of a gun safe. A "gun safe" would be defined as a safe or vault that is (i) commercially available, (ii) secured with a digital or dial combination locking mechanism or biometric locking mechanism, and (iii) designed for the storage of a firearm or ammunition for use in a firearm. Glass-faced cabinets would be specifically excluded from this definition.

The bill provides that the tax credit allowed would equal 50 percent of the purchase price paid by the person during the taxable year for any gun safe with a selling price of \$500 or less. The purchase of a gun safe with a selling price of more than \$500 would not qualify for this tax credit. The credit would only be allowed to a taxpayer who purchased the gun safe for personal use and not for resale.

The bill also provides that the aggregate amount of tax credits claimed by any taxpayer in all taxable years could not exceed \$100. Therefore, an individual purchasing a gun safe with a selling price of \$500 would only be allowed to claim a tax credit of \$100, even though such amount is less than 50 percent of the purchase price paid by the person. This \$100 limitation would apply per taxpayer, not per return or per purchase.

The Department would be authorized to issue up to \$250,000 in tax credits each fiscal year. For every taxable year for which a person seeks a tax credit, such person would be required to submit an application to the Department in accordance with any forms and procedures prescribed by the Department. In the event approved applications for the tax credits exceed \$250,000 for any taxable year, the Department would apportion the credits by dividing \$250,000 by the total amount of tax credits approved to determine the percentage of allowed tax credits each taxpayer claiming a credit would receive.

The amount of credit claimed by a taxpayer for the taxable year would not be permitted to exceed the total amount of individual income tax imposed upon the person for such year. This bill would not provide for the carryover of unused tax credits to the future taxable years.

The Tax Commissioner would be required to develop guidelines implementing this tax credit. The guidelines would be required to include procedures for the allocation of tax credits among taxpayers claiming a credit. Such guidelines would be exempt from the provisions of the Administrative Process Act.

This bill would be effective for taxable years beginning on and after January 1, 2017, but prior to January 1, 2022.

Similar Bills

House Bill 1710 would provide an exemption from the Retail Sales and Use Tax for gun safes with a sales price of \$1,000 or less per item.

cc : Secretary of Finance

Date: 1/22/2017 JJS
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