

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** John J. Bell

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Exemption for
Gun Safes

2. **Bill Number** SB 268

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an exemption from the Retail Sales and Use Tax for gun safes with a selling price of \$1,000 or less per item. Under the terms of the bill, a “gun safe” would be defined as a safe or vault that is 1) commercially available; 2) secured with a digital or dial combination locking mechanism or biometric locking mechanism; and 3) designed for the storage of a firearm or for ammunition for use in a firearm. Glass-faced cabinets would be specifically excluded from this definition. Under current law, gun safes are subject to the Retail Sales and Use Tax.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs Impact

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

The exemption proposed in this bill would result in a state and local revenue loss, the magnitude of which is unknown. The Department does not have specific data on gun safe sales, either nationally, or in the state of Virginia. However, because of the limitations of this exemption, the revenue loss is estimated to be minimal.

9. **Specific agency or political subdivisions affected:**

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

The Retail Sales and Use Tax is imposed upon the charge for the sale or use of tangible personal property, unless an exemption applies. Virginia law defines “tangible personal property” as personal property that may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. As such, gun safes are subject to the sales and use tax under current law.

Manufacturers’ Coupons

Under the Department’s current regulations, the value of a manufacturer’s coupon is included in the sales price of advertised merchandise. As an example, when a retailer accepts \$0.80 in cash and a manufacturer’s coupon valued at \$0.20, the Retail Sales and Use Tax is computed on the \$1.00. However, where a retailer redeems a manufacturer’s coupon for an amount in excess of the coupon’s value, e.g., “double coupon value” discounts, the excess is treated as a discount to the product’s price, and may be deducted in computing the tax. Thus, if a retailer offers double value on a \$0.50 manufacturer’s coupon for a \$5.00 product, the sales tax would be computed on \$4.50, which is the sales price of the product, less the extra \$0.50 retailer discount.

In contrast, the value of a retailer’s coupon is not included in the sales price because the coupon has no value to the retailer.

Proposal

This bill 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. Under the terms of the bill, “gun safe” would be defined as a safe or vault that is 1) commercially available; 2) secured with a digital or dial combination locking mechanism or biometric locking mechanism; and 3) designed for the storage of a firearm or for ammunition for use in a firearm. Glass-faced cabinets would be specifically excluded from this definition. If a retailer or manufacturer offers a discount, coupon, or other credit to reduce the final price to the customer, the discount would be required to be taken into account in determining the sales price that is subject to the Retail Sales and Use Tax.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

House Bill 888 would provide an exemption from sales and use tax for gun safe purchases of \$1,500 or less.

House Bill 1487 is substantively identical to this bill.

cc : Secretary of Finance

Date: 1/18/2020 VB
SB268F161