

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Glenn R. Davis

3. **Committee** House Committee on Rules

4. **Title** Firearm Safety Awareness Week; Firearm
Safety Sales Tax Holiday

2. **Bill Number** HB 1723

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an annual three-day sales and use tax holiday for firearm safety items with a selling price of \$500 or less such as firearms safes, ammunition lock boxes, and trigger locks. The sales tax holiday would begin on the last Friday in September and end at 11.59 P.M. on the following Sunday. The bill would also designate the last full week of September of each year as Firearm Safety Awareness Week throughout the Commonwealth.

Under current law, firearm safety items are subject to the retail sales and tax and are not included in the annual Combined Sales Tax Holiday that takes place in August.

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

6. **Budget amendment necessary:** Yes

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill to be routine and does not require additional funding. This bill would have no impact on local administrative costs.

Revenue Impact

This bill would have a minimal negative impact to state and local revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

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, firearm safety items such as firearms safes, ammunition lock boxes, and trigger locks 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.

Combined Sales Tax Holiday

Virginia currently offers taxpayers an annual Combined Sales Tax Holiday which takes place starting at 12:01 A.M. on the first Friday in August and ending at 11:59 P.M. on the next Sunday. Items eligible to be purchased tax-exempt during this three-day Holiday include certain Hurricane preparedness items, clothing and school supplies, and Energy Star and WaterSense items.

Proposal

This bill would create an annual three-day sales and use tax holiday for firearm safety items with a selling price of \$500 or less such as firearms safes, ammunition lock boxes, and trigger locks. The sales tax holiday would begin on the last Friday in September and end at 11.59 P.M. on the following Sunday. The bill would also designate the last full week of September of each year as Firearm Safety Awareness Week throughout the Commonwealth. The bill would also require the Department of Taxation to develop and

publish guidelines describing the items eligible for exemption during the sales tax holiday no later than July 15 of each year.

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 and Senate Bill 268 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.

House Bill 1687 would impose a 15 percent tax on the sale of any firearm or ammunition with the revenue allocated to the Violence Intervention and Prevention Fund.

House Bill 960 would impose an additional sales and use tax on firearms and ammunition at a rate of ten percent minus the sales or use tax that would otherwise apply to that sale, and would deposit revenues from the new tax into the Student Mental Health and Safety Fund.

cc : Secretary of Finance

Date: 1/25/2020 VB
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