

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Mark H. Levine

3. **Committee** House Finance

4. **Title** Firearms and Ammunition; Additional Sales and Use Tax; Use of Proceeds

2. **Bill Number** HB 960

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would impose an additional sales and use tax on firearms and ammunition at a rate of ten percent minus the rate of the sales or use tax applicable to the sale. The bill would require that the revenue generated from the additional tax be deposited into the Student Mental Health and Safety Fund ("SMHSF").

Under current law, firearms and ammunition are subject to the Retail Sales and Use Tax at the rate applicable to other tangible personal property. Revenue collected from the sales and use tax on guns and ammunition is allocated in the same manner as sales and use tax collected on sales of other types of personal property.

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.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019-20	\$182,000	0	GF
2020-21	\$38,000	0	GF

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020-21	\$18.5 million	SMHSF
2021-22	\$20.5 million	SMHSF
2022-23	\$20.8 million	SMHSF
2023-24	\$21.1 million	SMHSF
2024-25	\$21.5 million	SMHSF
2025-26	\$22.8 million	SMHSF

8. Fiscal implications:

Administrative Costs

As a result of this bill, the Department of Taxation (“the Department”) would incur costs of \$182,000 in Fiscal Year 2020 and \$38,000 in Fiscal Year 2021 for developing new forms and making systems changes related to the proposed tax.

Revenue Impact

Based on data from the Virginia State Police and the Bureau of Alcohol, Tobacco, Firearms and Explosives, it is estimated that this bill would result in a positive impact to the Student Mental Health and Safety Fund of \$18.5 million in Fiscal Year 2021, \$20.5 million in Fiscal Year 2022, \$20.8 million in Fiscal Year 2023, \$21.1 million in Fiscal Year 2024, \$21.5 million in Fiscal Year 2025, and \$22.8 million in Fiscal Year 2026.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

All retail sales of tangible personal property in the Commonwealth are subject to the Retail Sales and Use Tax unless an expressly stated exemption from the tax applies. Firearms and ammunition are currently taxed at 5.3 percent statewide, with the exception of the Northern Virginia and Hampton Roads regions where the tax rate is 6 percent and the Historic Triangle Region where the tax rate is 7 percent.

This bill would define firearms as any handgun, shotgun, or rifle that will or is designed to or may readily be converted to expel single or multiple projectiles by action of an explosion of a combustible material. Ammunition would be the combination of a cartridge, projectile, primer, or propellant designed for use in a firearm other than an antique firearm.

The bill would create a special nonreverting state fund known as the Student Mental Health and Safety Fund. Revenues generated by the additional sales tax that would be imposed by this bill would be deposited into the SMHSF. The bill would require that such revenue be used solely for the purposes of providing grants to enable public school divisions to fund full-time school counselor, social worker, and psychologists positions. The bill would also establish the Student Mental Health and Safety Program (“SMHSP”) for the purpose of awarding competitive grants from the SMHSF. The SMHSP would be administered by the Virginia Department of Education.

Proposal

This bill would impose an additional sales and use tax on firearms and ammunition at a rate of ten percent minus the rate of the sales or use tax applicable to the sale. The bill

would require that the revenue generated from the additional tax be deposited into the Student Mental Health and Safety Fund.

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

Similar Legislation

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 1723 would designate the last full week in September as Firearm Safety Awareness Week and create a sales tax holiday the last weekend in September for firearm safety items.

cc : Secretary of Finance

Date: 1/30/2020 VB
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