

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Alfonso H. Lopez

3. **Committee** Passed House and Senate

4. **Title** Individual Income Tax;
Firearm Safety Device Credit

2. **Bill Number** HB 2387

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would establish a nonrefundable individual income tax credit of up to \$300 for the cost incurred in the purchase of one or more firearm safety devices in an eligible transaction. The aggregate amount of credits allowable under the provisions of this bill would be capped at \$5 million per taxable year.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

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

Item(s): Page 1: Revenue Estimates
274 and 276: Department of Taxation

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>
2023-24	\$267,068	1	GF
2024-25	\$75,898	1	GF
2025-26	\$75,898	1	GF
2026-27	\$75,898	1	GF
2027-28	\$75,898	1	GF
2028-29	\$75,898	1	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation would incur costs of \$267,068 in Fiscal Year 2024 and \$75,898 annually thereafter. This would include the cost to hire one full time employee to administer the credit and system changes.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2024. Such impact would not exceed the \$5 million annual cap.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2022 Appropriation Act provides that any new sales tax exemption or tax credit enacted by the General Assembly after the 2019 Session, but prior to the 2024 Session, must have a sunset date of not later than June 30, 2025.

Proposed Legislation

This bill would establish a nonrefundable individual income tax credit of up to \$300 for the cost incurred in the purchase of one or more firearm safety devices in an eligible transaction. The aggregate amount of credits allowable under the provisions of this bill would be capped at \$5 million per taxable year.

The bill would require taxpayers claiming the credit to submit purchase receipts with their income tax returns to verify the amount of the purchase price. Credits would be issued on a first-come, first-served basis. The bill would also limit each taxpayer to one credit per taxable year.

The bill would also provide that the amount of the credit claimed in any single taxable year shall not exceed the individual's income tax liability for that taxable year. The taxpayer would be allowed to carry forward any unused credit amount for the earlier of either the next five taxable years or until the credit is exhausted.

The bill would define "firearm" as any handgun, shotgun, rifle, or other firearm 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.

The bill would define "firearm safety device" as a safe, gun safe, gun case, lock box, or other device that is designed to be or can be used to store a firearm and that is designed to be unlocked only by means of a key, a combination, or other similar means.

The bill would define an "eligible transaction" as a transaction in which a taxpayer purchases one or more firearm safety devices from a dealer that is federally licensed pursuant to § 923 of Title 18 of the United States Code. A purchase of a firearm is not an eligible transaction.

The Tax Commissioner would be required to promulgate guidelines for claiming the credit created by the bill.

This bill would be effective for taxable years beginning on and after January 1, 2023, but before January 1, 2028.

cc : Secretary of Finance

Date: 2/21/2023 VB
HB2387FER161