

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Jason S. Ballard

3. **Committee** House Finance

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

2. **Bill Number** HB 302

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would amend the definition of an eligible transaction for the Firearm Safety Tax Credit to allow a qualifying firearm safety device to be purchased from a commercial retailer instead of only from a federally licensed dealer.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

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

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 as routine and does not require additional funding.

Revenue Impact

This bill would have no impact on General Fund revenues. Although amending the definition of an eligible transaction could increase the amount of credits claimed against tax liability, the credit is subject to an annual credit cap of \$5 million under current law. Because the Official General Fund revenue forecast currently assumes a \$5 million annual revenue loss attributable to this credit, no budget amendment is needed.

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

Department of Taxation

10. **Technical amendment necessary:** Yes.

As currently drafted, the change in the definition of an “eligible transaction” would take effect on July 1, 2024, which is in the middle of the taxable year for taxpayers who file on a calendar basis. To ensure that an “eligible transaction” has the same meaning for the entirety of Taxable Year 2024, the following amendment is suggested:

Line 42, insert “2. The provisions of this bill are effective for taxable years beginning on and after January 1, 2024.”

11. Other comments:

Current Law

Firearm Safety Device Tax Credit

During its 2023 Regular Session, the General Assembly enacted the Firearm Safety Device Tax Credit. Virginia allows 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 total amount of credits that may be claimed in aggregate is capped at \$5 million per taxable year.

A “firearm safety device” is defined 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.

An “eligible transaction” is defined as a transaction in which a taxpayer purchases one or more firearm safety devices from a dealer that is federally licensed.

Firearm Safety Device Tax Credits are issued on a first-come, first-served basis, and the amount of the credit claimed in any single taxable year cannot exceed the individual’s income tax liability for that taxable year. Taxpayers may carry forward any unused credit for five years.

Proposed Legislation

This bill would amend the definition of an eligible transaction to allow a qualifying firearm safety device to be purchased from a commercial retailer instead of only from a federally licensed dealer.

“Commercial retailer” would be defined as a business that sells goods or services to customers in a retail setting and is properly registered as a dealer pursuant to § 58.1-612.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

Similar Bills

House Bills 35 and 945 would amend the definition of “firearm safety device” to include any device that, when installed on a firearm, is designed to prevent the firearm from being operated without first deactivating the device.

cc : Secretary of Finance

Date: 1/16/2024 ALS
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