

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 533 – HB 1141**

February 8, 2019

**SUMMARY OF BILL:** Exempts from state and local sales and use tax all sales of gun safes.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$321,300**

**Decrease Local Revenue – Net Impact – \$131,100**

Assumptions:

- Exempting sales of gun safes from state and local sales tax will result in a reduction in state and local sales tax revenue.
- The Department of Revenue (DOR) cannot segregate tax collection data to show sales tax collections received solely due to gun safe sales.
- Retail prices for gun safes can range from under \$100 upwards of \$10,000 or more.
- The annual average number of gun safe sales and the average price of gun safes are unknown.
- Taxable sales for gun safes under current law are reasonably estimated to be \$5,000,000 per year in Tennessee.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$337,341 [ $(\$5,000,000 \times 7\%) - (\$5,000,000 \times 7\% \times 3.617\%)$ ].
- A recurring decrease in local revenue of \$137,660 [ $(\$5,000,000 \times 2.5\%) + (\$5,000,000 \times 7\% \times 3.617\%)$ ].
- Fifty percent of tax savings, or \$237,501 [ $(\$337,341 + \$137,660) \times 50\%$ ], will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$16,024 [ $(\$237,501 \times 7\%) - (\$237,501 \times 7\% \times 3.617\%)$ ].
- The recurring increase in local sales tax collections is estimated to be \$6,539 [ $(\$237,501 \times 2.5\%) + (\$237,501 \times 7\% \times 3.617\%)$ ].

- The net recurring decrease in state revenue as a result of this bill is estimated to be \$321,317 (\$337,341 - \$16,024).
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$131,121 (\$137,660 - \$6,539).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb