



February 9, 2021

SUMMARY OF BILL: Exempts from state and local sales and use tax all sales of gun safes and individual computerized gun safety devices.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$321,300/FY21-22 and Subsequent Years

Decrease Local Revenue – Net Impact – \$131,100/FY21-22 and Subsequent Years

Assumptions:

General Assumptions:

- Exempting sales of gun safes and gun safety devices 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 and gun safety device sales.
- 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.

Gun Safes and Safety Devices:

- Retail prices for gun safes and safety devices can range from under \$100 upwards of \$10,000 or more.
- The annual average number of gun safe sales and safety devices and the average prices are unknown.
- Taxable sales for gun safes and safety devices under current law are reasonably estimated to be \$5,000,000 per year in Tennessee.
- A recurring decrease in state revenue of \$337,341 [(\$5,000,000 x 7%) – (\$5,000,000 x 7% x 3.617%)].
- A recurring decrease in local revenue of \$137,660 [(\$5,000,000 x 2.5%) + (\$5,000,000 x 7% x 3.617%)].
- Fifty percent of tax savings, or \$237,501 [(\$337,341 + \$137,660) x 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 x 7%) – (\$237,501 x 7% x 3.617%)].
- The recurring increase in local sales tax collections is estimated to be \$6,539 [(\$237,501 x 2.5%) + (\$237,501 x 7% x 3.617%)].
- The net recurring decrease in state revenue as a result of this bill, beginning in FY21-22, is estimated to be \$321,317 (\$337,341 - \$16,024).
- The net recurring decrease in local revenue as a result of this bill, beginning in FY21-22, 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.



Bojan Savic, Interim Executive Director

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