



SB 551 - HB 761

April 26, 2021

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

FISCAL IMPACT OF ORIGINAL BILL:

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

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

SUMMARY OF AMENDMENT (007751): Deletes all language after the enacting clause. Creates a sales and use tax holiday from July 1, 2021 through June 30, 2022 on the sale of gun safes and gun safety devices.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

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

Increase State Expenditures – \$137,700/FY21-22

Increase Local Revenue – \$6,500/FY21-22

Assumptions for the bill as amended:

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.
- However, pursuant to Tenn. Code Ann. § 67-6-710(h), the state will reimburse any local losses of revenue from sales tax holidays; therefore, any decrease in local revenue will correspond with an increase in state expenditures to reimburse locals for such loss.
- 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.
- The decrease in state sales tax revenue is estimated to be \$337,341 [(\$5,000,000 x 7.0%) - (\$5,000,000 x 7.0% x 3.617%)].
- The increase in state expenditures is estimated to be \$137,660 [(\$5,000,000 x 2.5%) + (\$5,000,000 x 7.0% 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 increase in state sales tax collections is estimated to be \$16,024 [(\$237,501 x 7.0%) - (\$237,501 x 7.0% x 3.617%)].
- The increase in local sales tax collections is estimated to be \$6,539 [(\$237,501 x 2.5%) + (\$237,501 x 7.0% x 3.617%)].
- The net decrease in state revenue as a result of this legislation is estimated to be \$321,317 (\$337,341 - \$16,024).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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