

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 52** SLS 09RS 76
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 30, 2009 12:21 PM	Author: MARIONNEAUX
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Sales tax holiday in September for guns, ammo and hunting	

TAX EXEMPTIONS EN -\$120,000 GF RV See Note Page 1 of 2

Establishes Annual Second Amendment Weekend Holiday to exempt from state and local sales tax each year consumer purchases of firearms, ammunition, and hunting supplies from the first consecutive Friday through Sunday of September

Current law subjects the sale of guns, ammunition and hunting supplies to a 4% state sales tax and the applicable local tax, which will vary with locale. However, these items up to \$2,500 are included in the sales tax holiday that takes place the first weekend of August.

Proposed law will allow for a three day holiday from state and local sales tax for consumer purchases of all firearms, ammunition and hunting supplies on the first consecutive Friday through Sunday of September each year. Hunting supplies include archery, off-road vehicles, ATVs, airboats, pirogues, accessories, animal feed, apparel, shoes, bags, float tubes, binoculars, tools, firearm and archery cases and accessories, range finders, knives, decoys, tree stands, blinds, chairs, optics, hearing protection and enhancements, holsters, belts, slings, miscellaneous gear and the any other hunting-related items. Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$120,000)	(\$120,000)	(\$120,000)	(\$120,000)	(\$120,000)	(\$600,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>(\$143,000)</u>	<u>(\$143,000)</u>	<u>(\$143,000)</u>	<u>(\$143,000)</u>	<u>(\$143,000)</u>	(\$715,000)
Annual Total	(\$263,000)	(\$263,000)	(\$263,000)	(\$263,000)	(\$263,000)	(\$1,315,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Actual sales data related to firearms, ammunition and hunting materials cannot be directly extracted due to the numerous outlets that sell these products and the inability to differentiate between the sales of specific items within the reported data. Fairly simple approaches were taken here to get a rough estimate of the possible fiscal effect of the bill. These approaches reflect daily average transactions. To the extent affected sales are elevated during the period preceding hunting season, the revenue losses resulting from this bill will be greater than the fairly modest losses estimated here. It is assumed that all eligible retailers will participate in the holiday.

Firearms
 This bill defines a firearm as a shotgun, rifle, pistol, revolver or handgun. The National Instant Criminal Background Check System (NICS), which is accessed each time a potential firearm sale subject to tax is anticipated, can be used as a proxy for firearm sales. For Louisiana sales, this system was accessed an average of 901 times per day during the Fall of 2007 and 2008. Assuming each one of these access events reflects a gun sale, and applying the National Shooting Sports Foundation's estimate of the national average firearm price of \$475, estimated gun sales of \$1.3 million may occur over a three day period. Sales tax losses at a 4% tax rate associated with this sales level would be about \$51,000. A second method of estimating tax-paid gun sales is use of the federal excise tax placed on gun manufacturers which, when apportioned out by population, results in only about \$11,000 of 4% sales tax loss over three days. A third source of data is the latest survey (2006) reported by the U.S. Fish and Wildlife Service in the National Survey of Fishing, Hunting and Wildlife-Associated Recreation - Louisiana. Estimates of firearms sales in Louisiana used for hunting to residents and nonresidents is \$60.5 million with associated state sales tax of 4% or \$2.4 million. Over the three day holiday, sales tax is expected to be \$19,900. Roughly doubling this figure to \$40,000 to account for gun sales for reasons other than hunting and adjusting for inflation would place it in line with the first estimate above at about \$44,000. Averaging the three methods results in an estimate of state revenue loss of \$35,000 per year for the three day holiday.

(CONTINUED ON PAGE 2)

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	

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CONTINUED EXPLANATION from page one:

Ammunition

Ammunition sales are not subject to NICS inquiry. However, manufacturers are subject to a federal excise tax of 11%. Parsing federal data on a per capita basis leads to erroneous results concerning ammunition since the size of the purchases varies greatly among consumers. However, The 2006 National Survey of Fishing, Hunting and Wildlife-Associated Recreation - Louisiana compiled by the U.S. Fish and Wildlife Service also reports ammunition expenditures in Louisiana by residents and nonresidents in relation to hunting with sales of about \$14.1 million with associated state sales tax of 4% or \$563,000. Over the three day holiday, sales tax foregone is expected to be about \$4,600. Doubling this figure to account for ammunition used for reasons other than hunting, and for inflation, results in an estimate of the 4% revenue losses with respect to ammunition of about \$10,000 per year for the three day holiday.

Hunting Supplies

Hunting materials are also included in the U.S. Fish and Wildlife Service report issued in 2007 with 2006 survey information. Total hunting related expenditures by residents and nonresidents excluding guns, ammunition and big-ticket items such as boats and ATVs were estimated at about \$63.4 million per year with 4% or \$2.5 million in associated sales tax. After adjusting for inflation, the estimate of the revenue losses with regard to hunting supplies is \$25,000 per year for the three day holiday. Since this bill provides exemption to relatively big-ticket items such as off-road vehicles, ATVs, airboats etc., this component of the overall estimate is tripled to at least acknowledge these types of items in the overall estimate. Thus, sales tax losses from hunting supplies, including big-ticket items, is assumed to be \$75,000 per year for the three day holiday.

Certain major retailers, such as Cabela's and Bass Pro are in Tax Increment Financing Districts so funds dedicated to these districts will also see a small revenue loss. Local sales tax collections will decline according to the sales tax rate in effect at the location of the sale. In the metro areas, the local rate is generally 4.5% - 5%.

Implementation of this legislation will require businesses to comply by reprogramming registers, or process transactions in some other way that isolates exempt transactions from taxable ones. To the extent reprogramming occurs, the state allows a \$25 credit for each register reprogrammed. The availability of this credit could cost up to \$100,000 of foregone general fund revenue per event (\$50,000 worth of credits when programming for an exemption, \$50,000 when programming back to taxable) in addition to the revenue foregone from exempt transactions. However, given the short period associated with these events, retailers may opt for an exempt sale key if available or attempt to collect only the pre-tax total charges on exempt items from customers at the point-of-sale.

Given the broad array of items affected by this bill, including fairly big-ticket items, there is considerable uncertainty as to the reasonableness of these estimates. Revenue losses could be considerably greater than those estimated here.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Chief Economist