

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 27 (Delegate Hutchins)
Ways and Means

Income Tax - Credit for a Gun Safe

This bill provides that an individual may claim a credit against the State income tax in an amount equal to 50% of the purchase price of one "gun safe" purchased during the taxable year. The credit applies only to gun safes purchased for personal, noncommercial use. The amount of the credit may not exceed the lesser of \$1,000 or the State income tax imposed for the taxable year. Any unused credit may not be carried forward to any other taxable year.

The bill takes effect July 1, 2002, and applies to all taxable years beginning after December 31, 2001.

Fiscal Summary

State Effect: Potential significant decrease in general fund revenues. The extent of any revenue loss depends on the number of gun safes purchased each year, the cost of each safe, and any increase in sales. Under one set of assumptions (500 gun safes are sold each year), general fund revenues could decline by approximately \$500,000 annually.

Local Effect: None. The credit applies only to the State income tax.

Small Business Effect: Minimal. Small businesses that sell gun safety equipment such as gun safes could benefit from increased sales to the extent that the bill causes more gun safes to be purchased.

Analysis

Current Law: No income tax credit of this type exists.

State Fiscal Effect: The true cost of the credit depends on the actual number of gun safes sold and the actual price paid by Maryland taxpayers, and the extent to which the credit results in an increase in the number of gun safes sold, none of which can be reliably predicted at this time.

According to the National Rifle Association, there are approximately 200 million guns in the U.S with approximately 60 to 65 million gun owners. Assuming that the number of gun owners in Maryland is proportionate to its population to the U.S. as a whole (1.9% based on Census Bureau estimates), there would be approximately 1.2 million gun owners in Maryland. According to information provided by the Maryland State Rifle and Pistol Association, gun sales have tripled since the September 11, 2001 terrorist attacks. Assuming that the number of gun owners have increased by 10%, there would be 1.3 million gun owners in the State.

Based on the price of gun safes over the Internet, prices range from \$190 for a minivault to \$3,800 for a double door vault with a ceramic fire liner. Assuming that the average price is approximately \$2,000, all gun safe purchases would be eligible for the maximum \$1,000 credit, assuming an income tax liability of at least \$1,000.

For illustrative purposes only: (1) if 500 gun safes are sold annually, the cost of the credit would be \$500,000 per year (500 safes multiplied by \$1,000 credit); (2) if 1% (13,000) of Maryland's estimated 1.3 million gun owners purchased a gun safe each year, then the cost of the credit would increase to \$13 million annually.

In addition, the per year cost of the credit would likely decline at some point in the future as demand and the number of gun owners without a gun safe declines.

Additional Information

Prior Introductions: This bill was introduced as HB 33 in the 2001 session. No action was taken by the Senate Budget and Taxation Committee. Similar bills were introduced as SB 209 and HB 280 during the 2000 session. No action was taken by either house after hearings in the Senate Budget and Taxation Committee and the House Ways and Means Committee, respectively.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates),
Department of Legislative Services

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