

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 351

(Senator Jennings, *et al.*)

Budget and Taxation

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**Sales and Use Tax - Exemption - Firearm Safety Devices**

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This bill exempts the sale of a firearm safety device from the State sales and use tax. A firearm safety device is defined as a firearm safe, firearm lock box, trigger and barrel lock, or any other item designed to enhance home firearm safety.

The bill takes effect July 1, 2016.

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**Fiscal Summary**

**State Effect:** General fund revenues decrease by a potentially significant amount beginning in FY 2017. The amount of the decrease depends on the number of firearm safety devices purchased each year and the taxable price of each item. General fund expenditures for administrative costs in the Comptroller's Office increase by \$81,300 in FY 2017.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** The sale of firearm safety devices are subject to the State sales and use tax. Section 5-132 of the Public Safety Article prohibits a firearms dealer from selling, offering for sale, renting, or transferring a handgun manufactured on or before December 31, 2002, unless the handgun is sold, offered for sale, rented, or transferred with an external safety lock. A firearms dealer is prohibited from selling, offering for sale, renting, or transferring

a handgun manufactured on or after January 1, 2003, unless the handgun has an integrated mechanical safety device.

**Background:** The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.5 billion in fiscal 2016 and \$4.7 billion in fiscal 2017, according to the December 2015 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

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**Exhibit 1**  
**Sales and Use Tax Rates in Maryland and Surrounding States**

Delaware	0%
District of Columbia	5.75%; 10% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6% 9% for alcoholic beverages
Pennsylvania	6% plus 1% or 2% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; plus 0.5% or 1% in certain municipalities

\*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region.

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Maryland regulates the sale, transfer, rent and possession of regulated firearms, which consist of handguns and assault weapons. Maryland does not regulate the sale of rifles or shotguns and no permit is required to purchase a rifle or shotgun that is not an assault weapon.

Connecticut, Massachusetts, Michigan, New Jersey, and Washington have similar sales and use tax exemptions for firearm safety devices.

**State Fiscal Effect:** General fund revenues decrease by a potentially significant amount beginning in fiscal 2017 depending on the number of firearm safety devices purchased each year and the taxable price of each item.

The price of firearm safety devices vary from as little as \$10 for a simple trigger lock to \$1,000 or more for a sophisticated gun safe. It is not currently known how many gun owners in the State currently have some sort of firearm safety device and how many would purchase a device as a result of the bill. As noted, handguns sold in the State are already required to have either an external or integrated safety lock.

The Department of State Police report the following sales of firearms in Maryland: 126,330 in 2013 (prior to enactment of Chapter 427 of 2013, the Firearm Safety Act); 28,287 in 2014; and 37,259 in 2015.

As a point of reference, Michigan passed legislation similar to this bill in 2015. The Michigan Department of Treasury estimated the revenue loss associated with the sales tax exemption to be approximately \$1.0 million per year. Data from the U.S. Census Bureau indicates that Maryland's population is approximately 60% of Michigan's. Assuming a similar level of per capita purchases of firearm safety devices as estimated in Michigan, general fund revenues may decrease by approximately \$600,000 annually beginning in fiscal 2017.

The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2017 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1271 (Delegate Parrott) – Ways and Means.

**Information Source(s):** National Rifle Association, Comptroller's Office, Department of State Police, Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2016  
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