

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 209 (The President. *et al.*) (Administration)
Budget and Taxation

Tax Credit for Gun Safety Devices

This Administration 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” or one or more “firearm locking devices” purchased during the taxable year. The credit applies only to gun safes or locking devices purchased for personal, noncommercial use; may not exceed \$500 for a taxable year; may only be claimed in the taxable year in which the gun safe or locking device was purchased; and may only be claimed for a taxable year between December 31, 1999 and January 1, 2005.

The bill takes effect October 1, 2000, contingent upon enactment of SB 211 or HB 279.

Fiscal Summary

State Effect: Potentially significant decrease in general fund revenue. Assuming that 500 gun safes are sold each year, and locking devices are purchased for 1% of the guns in Maryland (38,000) each year, general fund revenue could decline by approximately \$2.2 million annually.

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

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration’s assessment becomes available.

Analysis

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

Background: The viability of requirements for firearm safety devices, providing for so-called “childproof guns” or “smart guns,” continues to be an issue for State and federal legislative concern. For instance, the Responsible Gun Safety Act of 2000 (SB 211), also an Administration proposal, has been introduced this session to, in part, prohibit a firearms dealer, beginning on January 1, 2002, from selling, renting, or transferring in the State any handgun manufactured after December 31, 2000, unless the handgun has an integrated mechanical safety device or other incorporated design technology designed to prevent children and other unauthorized users from discharging the handgun.

The Glendening administration has identified the development of childproof guns as one of its major legislative initiatives for the 2000 legislative session. In June 1999, Governor Glendening signed an executive order creating a Task Force on Childproof Guns. One of the duties of the task force was to “draft legislation to implement measures that prevent the unintentional and criminal misuse of handguns by children and other unauthorized users” including “design alterations and technological enhancements.” The report of the task force was issued on December 1, 1999. The task force recommends the creation of tax credits to encourage gun owners to use gun safety measures, such as safes and locking devices. The bill is a result of this recommendation.

State Fiscal Effect: According to the National Rifle Association, there are approximately 200 million guns in the United States. Assuming that the number of guns in Maryland is proportionate to its population to the U.S. as a whole (1.9% based on Census Bureau estimates), there are approximately 3.8 million guns in Maryland.

Based on one industry estimate, the average cost of a mid-line price gun safe is \$2,650. Prices ranged from \$1,030 to \$5,825. Another estimate provided prices ranging from \$574 to \$1,708, excluding options. Prices for gun locking devices range between \$10.95 for a simple trigger lock to \$195 for an electronic lock.

The following estimate assumes that all gun safe purchases would be eligible for the maximum \$500 credit, based on the cost of a gun safe, and that locking mechanism purchases would be eligible for a \$50 credit, based on a midpoint purchase price of \$100.

For illustrative purposes only, if 500 gun safes are sold annually, the cost of the credits would be \$250,000 per year (500 safes multiplied by \$500 credit). If a locking device is purchased for installation on 1% of the guns in Maryland (38,000) annually, the cost of the credit would be \$1.9 million per year (38,000 guns multiplied by \$50 credit). Under this set of assumptions, the cost of the credit proposed by the bill would be approximately \$2.2 million per year.

However, the true cost of the credit depends on the actual number of safes and locking devices that are sold and the actual price of each that is paid by Maryland taxpayers, neither which is known.

The Office of the Comptroller advises that it would incur one-time computer programming costs of \$43,500 to add the credit to the tax forms and to modify forms and instructions. The Department of Legislative Services advises that economies of scale regarding computer programming changes could be realized since there will be changes to the income tax processing system due to the 1997 income tax reduction which is phased in through 2002. In addition, since forms and instructions are updated annually, the costs for form changes resulting from this bill could be absorbed within existing resources.

Additional Information

Prior Introductions: None.

Cross File: House Bill 280 (The Speaker, *et al.*) - Ways and Means.

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

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