

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 33 (Delegate Hutchins, *et al.*)

Ways and Means

Budget and Taxation

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, 2001, and applies to all taxable years beginning after December 31, 2000.

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 that are sold and the actual price of each that is 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. 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 \$2,500. Prices ranged from \$600 to \$5,915. Therefore, it is assumed that all gun safe purchases would be eligible for the maximum \$1,000 credit.

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% (19,000) of Maryland's 1.9 million households purchased a gun safe each year, then the cost of the credit would increase to \$19 million annually.

Additional Information

Prior Introductions: 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, and the House Ways and Means Committees, respectively.

Cross File: None.

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

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