

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

House Bill 592 (Delegates Niemann and Menes)  
 Ways and Means

Income Tax - Credit for Firearms Storage Containers

This bill creates a tax credit for licensed firearms dealers that purchase firearms storage safes or vaults that meet certain requirements. The amount of the credit is equal to 20% of the purchase price of a firearms storage safe or vault, not to exceed the tax liability for the tax year.

The bill is contingent on the enactment of HB 278.

Fiscal Summary

**State Effect:** General fund revenues could decrease by approximately \$236,900 annually beginning in FY 2006 due to decreases in personal and corporate income tax revenues. Transportation Trust Fund (TTF) revenues could decrease by approximately \$15,100 annually beginning in FY 2006 due to decreases in corporate income tax revenues. Future year revenues reflect a constant number of qualifying gun dealers. Special fund expenditures could increase by approximately \$44,400 in FY 2006 due to one-time tax form changes and computer expenses.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$236,900)	(\$236,900)	(\$236,900)	(\$236,900)	(\$236,900)
SF Revenue	(15,100)	(15,100)	(15,100)	(15,100)	(15,100)
SF Expenditure	44,400	0	0	0	0
Net Effect	(\$296,400)	(\$252,000)	(\$252,000)	(\$252,000)	(\$252,000)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** If one-quarter of the tax credits were claimed against the corporate income tax, local highway user revenues from the TTF could decrease by approximately \$4,500 annually beginning in FY 2006.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** No State tax credit of this type exists.

**Background:** HB 278 of 2005 proposes to apply certain regulations to licensed gun dealers, including requiring licensed gun dealers to store in a vault all regulated firearms for sale when the licensee's place of business is closed. HB 278 requires that the gun storage vault meet the following requirements: (1) is 50 inches tall; (2) 20 inches wide; (3) weighs over 250 pounds or can be bolted or otherwise secured; (4) has solid doors with 1-inch locking pins; and (5) has 3/8 inch thick braided cables with rubber jackets that: (a) attach to a frame or securing points; (b) have key locks; and (c) are sufficient to secure all regulated firearms other than handguns that the business offers for sale.

**State Revenues:** The bill provides that tax credits can be claimed beginning in tax year 2005. As a result, general fund revenues would decline by approximately \$236,900 and special fund revenues would decrease by \$15,100. This estimate is based on the following facts and assumptions:

- according to the Maryland State Police, there are 252 licensed gun dealers;
- gun storage vaults that meet the requirements specified by HB 278 cost \$5,000;
- one-quarter of the credits are claimed against the corporate income tax;
- businesses do not currently own qualifying gun storage vaults; and
- businesses have sufficient tax liability to claim the entire amount of the credit.

To the extent that businesses currently own qualifying gun storage vaults, revenue losses will be less.

**State Expenditures:** The Comptroller's Office reports that it would incur a one-time expenditure increase of \$44,400 to add the tax credit to the income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

**Small Business Effect:** If HB 278 passes, this bill would reduce the costs to small businesses that are required by HB 278 to purchase a qualifying gun storage vault or safe.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2005  
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