

Department of Legislative Services  
Maryland General Assembly  
2019 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 981  
Ways and Means

(Delegate Parrott, *et al.*)

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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 lockbox, trigger and barrel lock, or any other item designed to enhance home firearm safety. **The bill takes effect July 1, 2019.**

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Fiscal Summary

**State Effect:** General fund revenues decrease by a potentially significant amount beginning in FY 2020. The amount of the decrease depends on the number of firearm safety devices purchased each year and the taxable price of each item. Based on similar proposals in other states, the potential revenue loss may total approximately \$550,000 annually. General fund expenditures increase by \$81,300 in FY 2020.

**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 \$4.9 billion in fiscal 2019 and \$5.0 billion in fiscal 2020, according to the December 2018 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	0.0%
District of Columbia	6.0%; 10.0% for liquor sold for on-the-premises consumption and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified rental vehicles
Maryland	6.0% 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 2.5% for eligible food items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 0.5% (in two municipalities) or 1.0% (in 41 municipalities)

\*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region and an additional 1.7% is imposed in localities in the Historic Triangle.

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Maryland regulates the sale, transfer, rental, 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.

Connecticut, Massachusetts, New Jersey, and Washington have similar sales and use tax exemptions for firearm safety devices. A similar tax exemption in Michigan expired on December 31, 2017.

**State Revenues:** General fund revenues decrease by a potentially significant amount beginning in fiscal 2020 depending on the number of firearm safety devices purchased each year and the taxable price of each item. Based on similar proposals in other states and information from the Comptroller’s Office, the potential revenue loss may total approximately \$550,000 annually.

### *Cost for Firearm Safety Devices*

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 regulated firearms in Maryland:

- 126,330 in 2013\*
- 28,287 in 2014
- 37,249 in 2015
- 52,173 in 2016
- 51,676 in 2017
- 53,338 in 2018

\* prior to the enactment of Chapter 427 of 2013, the Firearm Safety Act

### *Similar Tax Exemptions in Other States*

Michigan passed legislation similar to this bill in 2015; however, the law expired on December 31, 2017. The Michigan Department of Treasury estimated that the revenue loss associated with the sales tax exemption totaled approximately \$1 million per year. Assuming a similar level of per capita purchases of firearm safety devices as in Michigan, general fund revenues may decrease by approximately \$600,000 annually.

Recent legislation in California (Assembly Bill 2540 of 2016) would have provided for a sales and use tax exemption for specified trigger locks and gun safes. The proposal was estimated to reduce California sales and use tax revenues by \$3.6 million per year. Assuming a similar level of per capita purchases of firearm safety devices as in California, general fund revenues may decrease by approximately \$550,000 annually.

**State Expenditures:** The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2020 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

## **Additional Information**

**Prior Introductions:** HB 53 of 2017 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 1271 of 2016 received a hearing in the House Ways and Means Committee, and its cross file, SB 351 of 2016, received a hearing in the Senate Budget and Taxation Committee. No further action was taken on either bill.

**Cross File:** None.

**Information Source(s):** Comptroller's Office; Department of State Police; Department of Legislative Services

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