



President
Mark W. Pennak

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WRITTEN TESTIMONY OF MARK W. PENNAK, PRESIDENT, MSI, IN OPPOSITION TO SB 118 and HB 197

I am the President of Maryland Shall Issue (“MSI”). Maryland Shall Issue is a Section 501(c)(4), all-volunteer, non-partisan, non-profit organization dedicated to the preservation and advancement of gun owners’ rights in Maryland. It seeks to educate the community about the right of self-protection, the safe handling of firearms, and the responsibility that goes with carrying a firearm in public. I am also an attorney and an active member of the Bar of the District of Columbia and the Bar of Maryland. I recently retired from the United States Department of Justice, where I practiced law for 33 years in the Courts of Appeals of the United States and in the Supreme Court of the United States. I am an expert in Maryland Firearms Law, federal firearms law and the law of self-defense. I am also a Maryland State Police certified handgun instructor for the Maryland Wear and Carry Permit and the Maryland Handgun Qualification License and a certified NRA instructor in rifle, pistol, personal protection in the home, personal protection outside the home, muzzle loading, as well as a range safety officer. I appear today IN OPPOSITION TO SB 118 and its cross-file, HB 197 (“the Bill”).

The Bills:

The Bill imposes a new 11% EXCISE TAX on gross receipts of the sales of firearms, ammunition, and firearm accessories, a term defined to include: “A magazine or magazine loader; A firearm Scope or Optic; A Stock, A grip; A handguard; or Body armor.” The tax applies to retail sales made by Maryland federal firearms licensees (“FFLs”) and on retail sales of firearms made by a specified group of out-of-state FFLs. The tax does not apply to THE SALE OF A FIREARM ACCESSORY OR AMMUNITION TO A RESIDENT OF THE STATE IF THE SALE: (I) IS MADE IN PERSON IN ANOTHER STATE; AND (II) IS NOT REQUIRED TO BE PROCESSED THROUGH A MARYLAND-BASED FEDERALLY LICENSED FIREARMS DEALER. For a LARGE RETAILER, the tax applies to a retail sale made after July 1, 2027. For all other FFLs it would apply to sales made on or after July 1, 2028. This exemption from the tax, by its terms, does not apply to the sale of a **firearm**. Rather, the exemption from the tax applies only to the sale of an **accessory or ammunition**.

IF THE FEDERALLY LICENSED FIREARMS DEALER IS LOCATED OUTSIDE THE STATE, THE TAX IMPOSED UNDER SUBSECTION (A) OF THIS SECTION APPLIES ONLY IF THE FEDERALLY LICENSED FIREARMS DEALER, DURING THE PREVIOUS CALENDAR YEAR OR THE CURRENT CALENDAR YEAR:

(1) DERIVES GROSS REVENUE FROM THE SALE OF FIREARMS TO RESIDENTS OF THE STATE THAT EXCEEDS \$100,000; OR

(2) SELLS FIREARMS TO RESIDENTS OF THE STATE FOR DELIVERY INTO THE STATE IN 200 OR MORE SEPARATE TRANSACTIONS.

The proceeds from this tax are to be distributed to: (1) 26% TO THE MARYLAND VIOLENCE INTERVENTION AND PREVENTION PROGRAM FUND ESTABLISHED UNDER § 4–902 OF THE PUBLIC SAFETY ARTICLE; (2) 26% TO THE CENTER FOR FIREARM VIOLENCE PREVENTION AND INTERVENTION WITHIN THE MARYLAND DEPARTMENT OF HEALTH; (3) 20% TO THE COORDINATED COMMUNITY SUPPORTS PARTNERSHIP FUND ESTABLISHED UNDER § 7–447.1 OF THE EDUCATION ARTICLE; (4) 20% TO THE SURVIVORS OF HOMICIDE VICTIMS GRANT PROGRAM WITHIN THE GOVERNOR’S OFFICE OF CRIME PREVENTION AND POLICY; (5) 4% TO THE MARYLAND TRAUMA PHYSICIAN SERVICES FUND 1 ESTABLISHED UNDER § 19–130 OF THE HEALTH – GENERAL ARTICLE; AND (6) 4% TO THE R ADAMS COWLEY SHOCK TRAUMA CENTER AT THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM. This excise tax is on top of and in addition to the generally applicable Maryland 6% sales tax. **The resulting total tax rate for sales covered by this Bill is 17%.**

THE BILL VIOLATES THE SECOND AMENDMENT

The 11% excise tax imposed by the Bill on top of the existing 6% sales tax is unconstitutional under the Second Amendment. The Bill would effectively tax the exercise of the Second Amendment right to acquire a firearm or ammunition. These taxes are unconstitutional because the sale of these items is inextricably bound up with the exercise of Second Amendment rights to acquire firearms or ammunition for lawful purposes.

Supreme Court precedent makes clear that a State may not single out persons and businesses for special taxes where such taxes could create even the possibility of unjustified burdens on the exercise of a constitutional right. In *Minneapolis Star and Tribune Co. v. Minnesota Com'r of Revenue*, 460 U.S. 575 (1983), the Court invalidated a special use tax levied by a state on the cost of paper and ink products consumed in production of newspapers and other periodical publishers because such a special tax threatened the First Amendment. In so holding, the Court reasoned that the state had “singled out the press for special treatment” and thus “burden[ed] rights protected by the First Amendment.” 460 U.S. at 582. Such a tax, the Court ruled, “cannot stand unless the burden is necessary to achieve an overriding governmental interest.” *Id.*

The State in *Minneapolis Star* failed to provide any such justification. As the Court stated, “[w]hatever the motive of the legislature . . . recognizing a power in the State not only to single out the press but also to tailor the [law] so that it singles out a few members of the press presents such a potential for abuse that no interest suggested by Minnesota can justify the scheme.” 460 U.S. at 591-92 (emphasis added). The Court reasoned that the “differential treatment, unless justified by some special characteristic of the press, suggests that the goal of the regulation is

not unrelated to suppression of expression, and such a goal is presumptively unconstitutional.” *Id.* at 585. But the Court also made clear that “[i]llicit legislative intent is not the *sine qua non* of a violation of the First Amendment.” *Id.* at 592. See also *Murdock v. Pennsylvania*, 319 U.S. 105, 114 (1943) (striking down tax on religious activities under the First Amendment’s Free Exercise Clause); *Harper v. Va. Bd. of Elections*, 383 U.S. 663, 668 (1966) (striking down \$1.50 poll tax under the Fourteenth Amendment’s Equal Protection Clause). Cf. *Koons v. Attorney General New Jersey*, 156 F.4th 210, 246-47 (3d Cir. 2025) (striking down a New Jersey licensing fee that is “deposited into the Victims of Crime Compensation Office”), *rehearing granted on other grounds*, 162 F.4th 100 (3d Cir. 2025) (en banc).

The holding in *Minneapolis Star* is clear: “[W]e cannot countenance such treatment unless the State asserts a counterbalancing interest **of compelling importance that it cannot achieve without differential taxation.**” *Id.* at 592 (emphasis added). In so holding, the Court specifically rejected the state’s professed need to raise revenue, noting that the State could raise the revenue by “taxing businesses generally, avoiding the censorial threat implicit in a tax that singles out the press.” *Id.* at 586. Rather, the constitutional flaw was “the very selection of the press for special treatment [because that] threatens the press not only with the current differential treatment, but with the possibility of subsequent differentially *more burdensome treatment.*” *Id.* at 588. See also *Arkansas Writers' Project, Inc. v. Ragland*, 481 U.S. 221 (1987) (holding that taxing general interest magazines but exempting newspapers and religious, professional, trade and sports journals violated the First Amendment); *Simon & Schuster, Inc. v. Members of New York State Crime Victims*, 502 U.S. 105, 117 (1991) (holding that New York’s “Son of Sam” tax on sales of books authored by criminals was unconstitutional and rejecting the argument “that discriminatory financial treatment is suspect under the First Amendment only when the legislature intends to suppress certain ideas”).

THE BILL VIOLATES THE FIRST AMENDMENT

Indeed, the excise tax is especially pernicious because the funds are earmarked for distribution to favored private groups via grants administered by government offices, thus essentially mandating a transfer of wealth from one *disfavored* private group (gun purchasers) who exercise a constitutional right to *favored* private groups who are selected by the government for the receipt of these funds for content-based reasons. That amounts to content-based discriminatory taxation which is a gross violation of the First Amendment. See, e.g., *Leathers v. Medlock*, 499 U.S. 439, 447 (1991) (“[D]ifferential taxation of First Amendment speakers is constitutionally suspect when it threatens to suppress the expression of particular ideas or viewpoints”); *National Endowment for the Arts v. Finley*, 524 U.S. 569, 587 (1998) (noting that it would likely be unconstitutional if the government agency “were to leverage its power to award subsidies on the basis of subjective criteria into a penalty on disfavored viewpoints”); *Rosenberger v. Rector and Visitors of University of Virginia*, 515 U.S. 819, 834 (1995) (“the University may not discriminate based on the viewpoint of private persons whose speech it subsidizes”).

These First Amendment principles apply to Second Amendment rights. The Supreme Court has repeatedly held that Second Amendment rights are not “a second-class right, subject to an entirely different body of rules than the other Bill of Rights guarantees.” *NYSRPA v. Bruen*, 597 U.S. 1, 70 (2022), quoting *McDonald v. City of Chicago*, 742, 780 (2010) (plurality opinion). Thus, the State may no more burden Second Amendment rights with special taxes than it may burden First Amendment rights with the special tax on ink at issue in *Minneapolis Star* or content-based taxes in other contexts. There is nothing special about the recipients of these funds that would justify a special tax on firearms sales under the test used in *Minneapolis Star*.

Here, as in *Minneapolis Star*, the Bills would impose a special tax on the exercise of the right then discriminates, on content-based reasons, awards the proceeds to the proceeds from the tax to favored groups. A need for money in this context is no different than the need for revenue rejected in *Minneapolis Star*. As the Court explained, “the very selection of the press for special treatment” is what “threatens the press” unconstitutionally. *Minneapolis Star*, 460 U.S. at 588 (emphasis the Court’s). Indeed, the Court rejected the State’s argument that the special tax did not really burden newspapers, stressing that the differential treatment was **alone** enough to invalidate the tax without any inquiry into actual burden. The Court explained that “courts have little familiarity with the process of evaluating the relative economic burden of taxes” and thus “the possibility of error inherent in the proposed rule poses too great a threat to concerns at the heart of the First Amendment.” *Id.* at 590. Here, this special tax on firearms does not merely **threaten** “more burdensome treatment” as in *Minneapolis Star*, *Id.*, at 588, it **actually** inflicts more burdensome treatment. Firearms may be purchased only from dealers (with the minor exception for private sales of used firearms). Here, as in *Minneapolis Star*, “subsequent” legislation could easily increase the 11% excise rate on gross receipts to ever higher rates over time. The Bill “singles out” these constitutionally protected products for special treatment and that is enough to make it inherently suspect. See *Leathers v. Medlock*, 499 U.S. 439, 446-47 (1991) (discussing *Minneapolis Star*).

There is no doubt that FFLs are essential to rights protected by the Second Amendment. Nearly all firearms are acquired by law-abiding persons through sales conducted by FFLs. Those sales are constitutionally protected because the right to “keep and bear Arms” implies the right to acquire arms for those purposes. That point has never been disputed by the State. Specifically, under *District of Columbia v. Heller*, 554 U.S. 570 (2008), *McDonald* and *Bruen*, the Second Amendment protects the right of a law-abiding citizen to acquire firearms. That is because the Second Amendment “wouldn’t mean much’ without the ability to acquire arms.” *Nguyen v. Bonta*, 140 F.4th 1237, 1241 (9th Cir. 2025), quoting *Teixeira v. County of Alameda*, 873 F.3d 670, 677 (9th Cir. 2017) (en banc). See also *Reese v. Bureau of Alcohol*, 127 F.4th 583, 590 (5th Cir. 2025) (“Of course, the words ‘purchase,’ ‘sale,’ or similar terms describing a transaction do not appear in the Second Amendment. But the right to ‘keep and bear arms’ surely implies the right to purchase them.”); *Ortega v. Grisham*, 148 F.4th 1134, 1143 (10th Cir. 2025) (same); *Ezell v. City of*

Chicago, 651 F.3d 684, 704 (7th Cir. 2011) (same). The same is true for ammunition purchases. See, e.g., *Jackson v. City and County of San Francisco*, 746 F.3d 953, 967 (9th Cir. 2014) (“Thus ‘the right to possess firearms for protection implies a corresponding right’ to obtain the bullets necessary to use them.”).

Firearm dealers also have an “ancillary” Second Amendment right to sell firearms to law-abiding citizens. See, e.g., *Teixeira v. County of Alameda*, 873 F.3d 670, 676-78 (9th Cir. 2017) (en banc), *cert. denied*, 584 U.S. 977 (2018). Under this precedent, any law that “meaningfully constrain[s]” a customer from having “access” to a dealer is actionable under the Second Amendment. *Id.*, 873 F.3d at 680. Regulation of dealer operations is thus imbued with constitutional concerns. Under *Bruen*, such a law is unconstitutional unless the State can demonstrate a well-established, and representative historical tradition from the Founding that imposed analogous taxation or burdens on the right to acquire a firearm. See *Bruen*, 597 U.S. at 30. We have found no such historical tradition. *Bruen* places that burden to justify squarely on the State.

While the First Amendment law is clear, there is also case law on this issue in the Second Amendment context. A federal district court invalidated a \$1,000 exercise tax on firearms in *Murphy v. Guerrero*, 2016 WL 5508998 at *24 (D.Northern Mariana Isl. 2016), holding that the tax “imposes a tremendous burden on the rights of responsible law-abiding citizens.” More recently, an Illinois intermediate appellate court sustained a local tax of \$25.00 per firearm and \$.05 per round. *Guns Save Life, Inc. v. Ali*, 2020 IL App (1st) 181846, 173 N.E.3d 212, 447 Ill.Dec. 201 (2020). In so holding, the court acknowledged that the tax burden rights protected by the Second Amendment but held that the tax was not “substantial” enough to violate the Second Amendment. But that decision was **reversed on appeal** by the Illinois Supreme Court. See *Guns Save Life, Inc. v. Ali*, 2021 IL 126014, 190 N.E.3d 139, 454 Ill.Dec. 539 (2021). See *Vandermyde v. Cook County*, IL App (1st) 230413-U, 2024 WL 685617 (Appellate Court of Ill. 2024) (reversing a lower court dismissal of challenge to a gun tax, noting that “our supreme court ruled that the firearm tax does, in fact, burden Second Amendment rights”), citing *Guns Save Life*, 2021 IL 126014, ¶¶ 27-29. That decision also held that “the relationship between the tax classification and the use of the tax proceeds is not sufficiently tied to the stated objective of ameliorating the costs that gun violence imposes on society.” *Guns Save Life*, 2021 IL 126014, ¶37. That holding applies here because the tax imposed by the Bill is not “tied” to the services for which these funds are earmarked. Law-abiding purchasers, who are subject to thorough background checks, do not cause illegal gun violence.

For example, trauma is suffered for a multitude of reasons having nothing to do with firearm purchases. Purchases by law-abiding citizens, who are subject to an exhaustive background check on every purchase of a firearm under existing law, are not the cause of “gun violence” or the use of trauma centers. That violence is committed by criminals who are already most likely prohibited persons and thus cannot legally purchase firearms. **A tax on lawful purchases is thus enormously unfair because it imposes costs solely on lawful gun purchasers for social harm for**

which they are not responsible. Trauma centers are beneficial to all Marylanders because such centers are open to all who may suffer trauma **for a multitude of reasons** having nothing to do with firearms. The cost of trauma centers should, accordingly, be shared by all Marylanders rather than inflicted disproportionately on lawful purchasers of firearms. These law-abiding purchasers are no more responsible for trauma center use than any other law-abiding Maryland resident. Nor are law-abiding purchasers and gun owners responsible for the other social ills addressed by the targeted beneficiaries.

Under *Bruen*, “when the Second Amendment’s plain text covers an individual’s conduct, the Constitution presumptively protects that conduct.” Thus, to justify a firearm regulation burdening that conduct, “the government must demonstrate that the regulation is consistent with this Nation’s historical tradition of firearm regulation.” 597 U.S. at 17. Stated simply, there is no “historical tradition” from the Founding Era when the Bill of Rights were ratified (1791), that would allow a special tax to be levied on firearms, much less for the purpose of transferring wealth from gun owners to targeted favored private groups. Late 19th century statutes have little or no bearing on this inquiry into tradition and history. See *United States v. Rahimi*, 602 U.S. 680, 692 (2024) (“A court must ascertain whether the new law is ‘relevantly similar’ to laws that our tradition is understood to permit, ‘apply[ing] faithfully the balance struck by the founding generation to modern circumstances.’”), quoting *Bruen*, 597 U.S. at 29 (emphasis added). See also *Lara v. Commissioner Pennsylvania State Police*, 125 F.4th 428, 441 (2025) (3d Cir. 2025) (“Accordingly, to maintain consistency in our interpretation of constitutional provisions, we hold that the Second Amendment should be understood according to its public meaning in 1791.”). No special gun taxes were in existence at the time of the Founding. No jurisdiction at the Founding taxed the sale of firearms so as fund the speech and activities of groups favored by the government.

The Taxes Will Put Maryland FFLs and Retail Outlets Out of Business

The 11% excise tax will effectively destroy the economic viability of FFLs and other retail outlets across the State and thus necessarily burden the exercise of Second Amendment rights of Marylanders to acquire firearms for their own self-defense. The retail sale of firearms by FFLs is highly competitive and FFLs work on small margins. These taxes will gut the profit margin on any given sale. Nor can these taxes be justified by the Federal excise tax imposed by 26 U.S.C. § 4181. The federal tax dates only back to 1919 and thus cannot provide requisite historical analogue under the text, history and tradition test articulated in *Bruen*. See *Bruen*, 597 U.S. at 66 n.28 (ruling that “the 20th-century evidence presented by respondents and their amici does not provide insight into the meaning of the Second Amendment when it contradicts earlier evidence”).

The Section 4181 federal tax is also much different than the taxes imposed by these Bills in both reach and affect. Section 4181 imposes a nationwide excise tax of 10% on the sale of pistols and a 11% tax on the sale of other firearms and on ammunition by “manufacturers, producers and importers.” Unlike this Bill, Section 4181 does

not apply to or impose burdens on other types of federally licensed firearms dealers, such as retail dealers. And because the tax is imposed nationwide, the federal tax affects all “manufacturers, producers and importers” equally. The proceeds of this federal tax are then distributed to the States under Pittman-Robertson Wildlife Restoration Act, 50 Stat. 917 (1937), and is tied to wildlife conservation. That Act provides that a State may receive these funds only if it has “passed laws for the conservation of wildlife which shall include a prohibition against the diversion of license fees paid by hunters for any other purpose than the administration of said State fish and game department.” Preamble, *id.* See, e.g., MD Code, Natural Resources, § 10-102. Unlike these Bills, the federal tax may not be used by a State for non-conservation related purposes.

These Bills destroy the nationwide level playing field on which the federal tax applies. California has enacted a similar 11% excise tax (AB 28). <https://legiscan.com/CA/text/AB28/id/2842856>. That tax was enacted only very recently (September 2023) and it did not go into effect until July of 2024. It has already been challenged in court. See *Jaymes v. Maduros*, Case No. 37-2024-00031147-CU-MC-CTL (Superior Ct. Cal. July 2, 2024); *Poway Weapons & Gear v. California Dept. of Tax and Fee Admin.*, No. 25CV018964 (Superior Ct. Cal. Aug. 11, 2025). Certainly, **no neighboring State** has a similar tax or is even likely to enact such a tax. Put simply, these taxes are a competitive backbreaker. FFLs and other sellers in Maryland compete not only with other Maryland FFLs and sellers but also with FFLs in neighboring states and nationwide along with persons and dealers across the United States that sell online. This creates an impossible competitive situation for Maryland FFLs. Either the FFLs absorb the tax and become so unprofitable that they will be forced to close, or they will pass the tax along to the consumer and become uncompetitive on price with non-Maryland FFLs and be driven out of business for that reason. Either option will result in bankruptcy. The latter option will merely take a little longer. Enactment of this Bill will be immediately challenged.¹

The discriminatory burden on Maryland FFLs is substantial. The sales tax in Delaware is **zero**. In West Virginia and Pennsylvania, the sales tax is 6% and the

¹ Such challenges may be heard in the Maryland Tax Court. See MD Code, Tax - General, § 3-103, with a cause of action provided by federal law, 42 U.S.C. § 1983. A decision of the Tax Court may be appealed to Circuit Court and from there to the Appellate Court of Maryland and the Supreme Court of Maryland and, ultimately to the United States Supreme Court on questions of federal law. See MD Code, Tax - General, § 13-532; MD Code, State Government, § 10-222; MD Code, State Government, § 10-223. See also *Comptroller of Treasury of Maryland v. Wynne*, 575 U.S. 542 (2015) (invalidating a Maryland tax under the Commerce Clause). A successful suit will likely impose substantial refund liability and attorneys’ fees liability on Maryland. *Holzheid v. Comptroller of the Treasury of Maryland*, 240 Md. App. 371, 382, 205 A.3d 43 (2019), *cert. denied sub nom.*, 469 Md. 655, 232 A.3d 257 (2020).

sales tax in Virginia is 5.3%. Sellers in these neighboring states do not pay any State sales taxes on products shipped out of state. See, e.g., Virginia <https://bit.ly/3WG4LCa> (“Items that you ship outside of Virginia, that will be used or consumed outside of Virginia, are not subject to Virginia sales tax.”); Pennsylvania, 61 PA ADC § 32.5(b) (same). See also <https://bit.ly/40Eg5Qe> (“If the seller ships items into a state where it doesn’t have nexus, no tax should be charged by the seller.”). Thus, for sales made in neighboring states in which the firearm is shipped into Maryland, the sales tax on that sale is **zero, just like all sales consummated in Delaware**. The Bill’s attempt to level the playing field by taxing such out-of-state business is both legally unenforceable and unenforceable as a practical matter, as more fully discussed below.

It bears emphasis that firearms are quite expensive. Many firearms, especially long guns, cost thousands of dollars. These taxes could easily drive customers to out-of-state dealers for these items. The likely result will be that all but the largest national FFL dealers, like WalMart, or Bass Pro Shops, will be forced out of business in Maryland. Other large FFLs, like Cabela’s, will be deterred from doing business in Maryland. The overwhelming majority of FFLs in this State are small businessmen and businesswomen who lack the resources of such a national retailer. To survive, dealers will be forced to move their operations out of Maryland. Even national FFL chains will take this new tax into account in deciding whether to open new stores or retain or expand existing locations.

Driving FFLs out of business may well be the intent behind these Bills, but that “illicit intent” is fatal under the Second Amendment, and, in any event, such illicit intent is no more necessary to a finding of unconstitutionality here than it was in *Minneapolis Star*. The Court made clear in *United States v. Rahimi*, 602 U.S. 680, 691-92 (2024), that any government regulation of conduct protected by the Second Amendment must be supported by “a permissible reason.” This requirement of “a permissible reason” is currently before the Supreme Court in *Wolford v. Lopez*, No. No. 24-1046, which was orally argued on January 20, 2026.² A decision in *Wolford* is expected by the end of the Court’s Term in June or July. Regulation designed to discourage the exercise of the right is not permissible under the Second Amendment any more than it would be permissible under any other Constitutional right. See Amicus Brief of the United States in *Wolford*.³

It is worth noting that in 2013, when Maryland passed the Firearms Safety Act of 2013, a major Maryland firearms manufacturer, Beretta, moved its manufacturing out of Prince Georges County to Tennessee. See <https://www.nbwashington.com/news/local/beretta-moves-all-manufacturing-out-of-md-after-state-passes-new-gun-bill/2071229/>. Large retailer FFLs will simply

² The undersigned is counsel for the petitioners in *Wolford*.

³ The filings in *Wolford* can be found on the Supreme Court’s docket, available at <https://www.supremecourt.gov/search.aspx?filename=/docket/docketfiles/html/public/24-1046.html>

close or not open new stores in Maryland. That will cost Maryland millions of dollars that these corporations pay or would pay in taxes not to mention the taxes would be paid by the many employees of these companies.

The excise tax is also applicable to accessories and ammunition. Some accessories, such as scopes and optics are very expensive, with many costing far more than \$2,000. See e.g., <https://vortexoptics.com/optics/riflescopes.html>. Ammunition can also be expensive, especially when purchased in bulk for use in competitions or by instructors. <https://www.luckygunner.com/9mm-nato-124-grain-fmj-winchester-1000-rounds>. No rational purchaser will pay hundreds of dollars in extra taxes on purchases if he or she can help it. Under federal law, any store may sell ammunition and accessories; the store need not be a FFL.

Indeed, all these items, including firearms, may be purchased from out-of-State dealers and other types of sellers **online**. Under federal law, only out-of-state sales of **handguns** by FFLs to Maryland residents must be shipped to a Maryland FFL for delivery to the consumer. See 18 U.S.C. § 922(a)(3),(5). See also *Mance v. Sessions*, 896 F.3d 699, 709 (5th Cir. 2018) (describing the process). Rifles or shotguns can be purchased over the counter, in face-to-face transactions by Maryland residents at out-of-State dealers and need not be shipped into Maryland. See 18 U.S.C. § 922(b)(3); MD Code, Public Safety, § 5-204(a). Out-of-state sales of ammunition and accessories to Maryland residents are likewise over-the-counter, cash and carry. Of course, **firearms** purchased **online** are required by federal law, 18 U.S.C. § 922(a)(3),(5), to be shipped to a Maryland FFL, who fills out the paperwork and who charges a nominal transfer fee (around \$25).

It is important to note that the Bill does not tax the transfer fee which would, in any event, raise little revenue. Instead, the Bill imposes the tax on the **THE RETAIL SALE OF FIREARMS, FIREARM ACCESSORIES, AND AMMUNITION IN THE STATE; AND (2) IN THE CASE OF A FEDERALLY LICENSED FIREARMS DEALER THAT IS LOCATED OUTSIDE THE STATE, THE RETAIL SALE OF FIREARMS TO RESIDENTS OF THE STATE**. The Maryland dealer who does the paperwork on firearms sold to a Maryland resident by out-of-State retailers does not conduct the “retail sale” of the firearm. That “retail sale” is by the out-of-State retailer. Under the Bill, out-of-State sales of accessories and ammunition may be face-to-face or shipped directly to the purchaser and escape the tax. Even as to sales of firearms (which this Bill does purport to tax), such out-of-State sellers are often small dealers or individuals, and such small or incidental sellers will not collect sales taxes under this Bill because they do not meet the thresholds for taxes on out-of-State retailers otherwise imposed by the Bill (*viz.*, may have fewer than 200 transactions on items shipped to Maryland residents or total sales of less than \$100,000 on firearms shipped into Maryland). See *infra*.

A Maryland FFL is, of course, free to charge a transfer fee on sales of firearms shipped to the Maryland FFL for delivery to a Maryland resident. But “[g]un prices can range from \$300 for a low-cost handgun to over \$2000 for a high caliber rifle.” <https://survivalstoic.com/how-much-does-a-gun-cost/> (listing sales prices for some

popular handguns). And very few low-cost handguns may be sold or shipped into Maryland because such guns do not make it onto the Maryland handgun roster of approved handguns. MD Code, Public Safety, § 5-406. See Maryland Handgun Roster Disapproved List, <https://bit.ly/42S9eWm>. The transfer fee is thus quite likely to be significantly less than the tax that would be imposed by these Bills, especially for expensive firearms such as Custom Shop Kimber handguns which run around \$2,400 or more. See, e.g., <https://bit.ly/40V9QZT>. And these Bills would certainly put an end to any sales of firearms or ammunition to persons from out-of-state, including out-of-state hunters who may wish to hunt on the Eastern Shore or elsewhere in Maryland. With an 11% excise tax, plus a 6% sales tax, no rational purchaser from out-of-State will buy any firearms, ammunition or accessories in Maryland. See MD Code, Public Safety, § 5-204(b) (allowing non-residents to purchase “a rifle or shotgun” in Maryland).

In short, the imposition of this extraordinary tax will do nothing but inflict harm on Maryland FFLs and other Maryland stores that sell firearms, ammunition and accessories, including many small businesses. Such harm includes will also effectively eliminate sales to out-of-State hunters who visit Maryland or sales to persons who may come to Maryland for shooting competitions. With fewer and fewer Maryland dealers and/or stores that sell ammunition or accessories over time, Maryland residents will increasingly purchase firearms and ammunition and accessories from dealers and stores in Virginia, West Virginia, Delaware, Pennsylvania. As Maryland stores go out of business or leave Maryland, the State will lose increasing amounts of revenue from lost sales taxes and income taxes that are currently being paid by these retail outlets and their employees.

Everyone loses except neighboring States. Those States (with the possible recent exception of Virginia) do not share Maryland’s overt hostility toward firearms and gun owners and are quite unlikely to enact such increased special taxes on firearms, ammunition or accessories. These taxes thus will not generate anywhere near the amount of revenue envisioned by its sponsors because there will be fewer and fewer sales that Maryland could tax. In Seattle, for example, the city imposed a \$25 tax on the sale of firearms and a \$0.05 per round tax on ammunition. But the Seattle taxes generated less than a quarter of the revenue expected simply because customers took their business elsewhere. See <https://saf.org/seattle-gun-ammo-tax-falls-shorter-and-fails-again-to-prevent-violence/> The same will happen, State-wide, if these taxes are imposed. For all the foregoing reasons, the Bill will have vast, unintended consequences, generate far less revenue than anticipated and will not likely survive court challenges that are sure to result. Maryland will just end up refunding, with interest, any tax collected and paying sizable attorneys’ fees to plaintiffs on top of the litigation costs associated with challenges.

The Tax On Out-of-State FFLs Is Flawed

Once FFLs or other retail outlets move out of Maryland, they will likely be beyond the tax reach of Maryland. See *South Dakota v. Wayfair, Inc.*, 585 U.S. 162, 176 (2018) (allowing a State to tax out of state sellers where “the sale is consummated”

in the taxing jurisdiction), quoting *Oklahoma Tax Comm'n v. Jefferson Lines, Inc.*, 514 U.S. 175, 184 (1995) (noting that the sale of goods or services must have “a sufficient nexus to the State in which the sale is consummated to be treated as a local transaction taxable by that State”). “The Court will sustain a tax so long as it (1) applies to an activity **with a substantial nexus** with the taxing State, (2) is fairly apportioned, (3) does not discriminate against interstate commerce, and (4) is **fairly related to the services the State provides.**” *Wayfair*, 585 U.S. at 173 (emphasis supplied).

Again, federal law allows out-of-State dealers to sell long guns to Maryland residents if such sales are conducted face-to-face at the dealer’s shop. See 18 U.S.C. § 922(b)(3). Those sales of long guns are *cash and carry* and thus are “consummated” totally outside of Maryland. Out-of-State sales of ammunition and accessories are likewise cash and carry and are not shipped into Maryland. *Wayfair* does not permit Maryland to tax those sales because the retailer does not ship any of these firearms, or the ammunition or the accessories into Maryland. The State does not provide *any* “services” to the out-of-State dealers, much less services that are “fairly related” to the 11% excise tax that this Bill would impose. *Wayfair*, 585 U.S. at 173. The Bill recognizes this reality.

But the Bill nonetheless violates *Wayfair* in its attempt to regulate a large out-of-State retail dealer who “(1) derives gross revenue from the sale of firearms to residents of the state that exceeds \$100,000,” without regard to whether such merchant ships the merchandise into Maryland. That number is no doubt taken from *Wayfair* in attempt to establish the “substantial nexus” required by Due Process Clause of the Fourteenth Amendment. See *Wayfair*, 585 U.S. at 174. But sales of \$100,000 to Maryland residents are insufficient alone to establish the requisite substantial nexus. Rather, under *Wayfair*, a State may tax businesses outside its borders only if the large out-of-state business **also ships** the taxed product into the State. See, e.g., *Quad Graphics, Inc. v. N.C. Department of Revenue*, 383 N.C. 356, 375, 881 S.E.2d 810, 824 (2022) (noting that *Wayfair* sustained a tax on out-of-state business where the tax “only applied to sellers **delivering** more than \$100,000 worth of goods or services **into the state** or making 200 or more separate transactions **for the delivery of goods or services into the state** on an annual basis”). (Emphasis added). The Bill implicitly recognizes that shipping requirement in imposing the tax on out-of-state merchants who sell firearms to Maryland residents **FOR DELIVERY INTO THE STATE IN 200 OR MORE SEPARATE TRANSACTIONS**. What the Bill fails to grasp that the Bill’s attempt to tax \$100,000 worth of sales to Maryland residents **without** any such delivery fails to establish the requisite “nexus” to Maryland.

As noted, out-of-State dealers are free under federal law to make over-the-counter sales of long guns to Maryland residents in face-to-face transactions. There many out-of-State FFLs and stores that are easily available to Maryland residents.⁴

⁴ According to the ATF, there are 3,302 FFLs in Pennsylvania alone of which the overwhelming majority are Type I retailers. See

Those firearms are carried back into Maryland by the *purchaser*, not shipped by the dealer. The same is true for over-the-counter sales of ammunition and accessories. Such sales escape the 11% excise tax and are subject only to the sales taxes imposed by the out-of-state jurisdiction, which, again are far less than the taxes imposed by this Bill. While theoretically the consumer may be liable for use tax on the difference, as a practical matter, the use tax on individual consumers for out-of-state purchases is impossible to enforce.

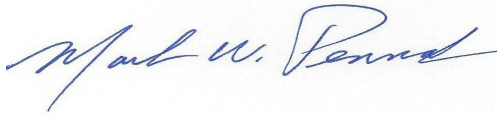
The limits established by *Wayfair* also mean that the tax imposed on out-of-State retailers cannot level the playing field for Maryland dealers and retailers. The constitutional limits on Maryland's reach will necessarily mean that Maryland dealers will remain at a huge competitive disadvantage. The number of retail outlets that sell ammunition or accessories may include "mom and pop" outlets and is unknowable. Nor is it likely that the State will be able to identify such out-of-State dealers or retailers who ship into Maryland much less secure their cooperation in administering the tax. At most, these taxes may be applicable to sales shipped into Maryland by large retailers or by Amazon. But even those sales will be limited. As sales for delivery into Maryland approach 200, savvy dealers and stores will simply stop shipping into Maryland for the remainder of the year. The customer will then just purchase from another dealer or retailer who has made fewer sales shipped into Maryland that year. The costs of securing any compliance will likely far outstrip the revenue generated.

Out-of-State dealers will likely tell Maryland tax collectors to "pound sand." Any attempt by the State to sue out-of-State dealers for tax collection is unlikely to be successful. The Supreme Court made clear in *Asahi Metal Industry Co., Ltd. v. Superior Court of California, Solano Co.*, 480 U.S. 102, 110 (1987), that a State must show a "substantial connection" with the forum state and "[t]he 'substantial connection,' ... must come about by an action of the defendant purposefully directed toward the forum State." "A defendant's 'awareness that the stream of commerce may or will sweep the product into the forum State does not convert the mere act of placing the product into the stream into an act purposefully directed toward the forum State.'" *B.D. by and through Myer v. Samsung SDI Co., Ltd.*, 91 F.4th 856, 861 (7th Cir. 2024), quoting *Asahi Metal*, 480 U.S. at 112. Mere "foreseeability" that product might end up in Maryland is insufficient. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980). In short, Maryland will lose.

We urge an unfavorable report.

Sincerely,

<https://www.atf.gov/firearms/docs/undefined/0125-ffl-list-pennsylvaniatxt/download>. The same ATF database shows that there are 2,014 dealers in Virginia and 137 FFLs in Delaware.



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