

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 816
Ways and Means

(Delegate Parrott, *et al.*)

Sales and Use Tax - Exemption - Firearm Safety Devices

This bill exempts the first \$500 of 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, 2022.**

Fiscal Summary

State Effect: General fund revenues decrease by a potentially significant amount beginning in FY 2023. 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 2023.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The sale of firearm safety devices is 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.

Maryland regulates the sale, transfer, rental, and possession of regulated firearms, which consist of handguns and assault weapons. In addition, Chapters 11 and 35 of 2021 require, with specified exceptions, that a licensed firearms dealer facilitate the sale, rental, or transfer of a rifle or shotgun; however, no permit is required to purchase a rifle or shotgun.

Connecticut, Maine, Massachusetts, New Jersey, Tennessee, Texas, Washington, and Virginia have similar sales and use tax exemptions for gun safes and/or firearm safety devices. The Tennessee legislation was for a sales tax holiday for the retail sale of gun safes and gun safety devices, sold between July 1, 2021, and June 30, 2022.

The State Sales and Use Tax

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$5.5 billion in fiscal 2022 and \$5.7 billion in fiscal 2023, according to the December 2021 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

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; 8.0% for specified soft drinks
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; 2.5% for specified essential personal hygiene items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 1.0% in 70 municipalities

*An additional state tax of (1) 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Charlotte, Gloucester, Halifax, Henry, Northampton, and Patrick counties; and (3) 1.7% is imposed in localities in the Historic Triangle.

State Revenues: General fund revenues decrease by a potentially significant amount beginning in fiscal 2023 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 varies from a low of \$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 Maryland 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
- 53,726 in 2019
- 104,440 in 2020
- 109,139 in 2021

*Prior to the enactment of Chapter 427 of 2013, the Firearm Safety Act.

Similar Tax Proposals in Other States

Legislation has been introduced in Michigan in the past few years, including HB 4514 (2019). The Michigan Department of Treasury estimated that the revenue loss associated with the proposed sales tax exemption would total 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.

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 2023 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

Additional Information

Prior Introductions: Similar bills were introduced in the 2016, 2017, 2019, 2020, and 2021 sessions. HB 963 of 2021 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 618 of 2020 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 981 of 2019 received a hearing in the House Ways and Means Committee, but no further action was taken. 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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