

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: January 21, 2022

BILL NUMBER: SB 1315 **STATUS AND DATE OF BILL:** Introduced 01/17/2022

AUTHORS: House n/a Senate Bullard

TAX TYPE (S): Sales Tax **SUBJECT:** Exemption

PROPOSAL:

The measure proposes amendment to 68 O.S. §1357 to exempt the sale of firearms and firearm ammunition from sales tax. For purposes of the proposed exemption “firearm” means a gun, rifle, pistol, or shotgun.

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: \$17,521,000 decrease in sales tax revenues

FY 24: \$30,726,000 decrease in sales tax revenues

Jan. 24, 2022
DATE

Rick Miller
DIVISION DIRECTOR

msm

1/25/2022
DATE

Huom Gong
HUAN GONG, ECONOMIST

1/31/2022
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT - SB 1315 [Introduced] Prepared 01/21/2022

The measure proposes amendment to 68 O.S. §1357 to exempt the sale of firearms and firearm ammunition from sales tax. For purposes of the proposed exemption “firearm” means a gun, rifle, pistol, or shotgun.

According to data from the Federal Bureau of Investigations (“FBI”), a total of 416,514 NICS firearm background checks occurred in Oklahoma for 2021. For purposes of this impact, it is estimated that about 1% of these background checks were denied and that the average price of a firearm is \$900.00 (\$800 for handguns and \$1,000 for rifles). Multiplying 412,349 (416,514 - 4,165 = 412,349) successful background checks by \$900.00 results in an estimated \$371,114,100 in taxable receipts which when multiplied by the state sales tax rate of 4.5% yields an estimated \$16,700,135 in state sales tax revenues.

Based upon information from Grand View Research, an estimated \$21,380,000,000 in firearm ammunition was purchased in the United States in 2020. In addition, based upon FBI data, 1.19% of all NICS background checks were from Oklahoma. Application of this percentage to the national ammunition sales results in estimated Oklahoma purchases of \$254,422,000 which when multiplied by the state sales tax rate of 4.5% yields estimated state sales taxes of \$11,448,990.

Total combined impact of the measure is an estimated decrease of \$28,149,125 in state sales tax revenues.

The measure proposes an effective date of November 1, 2022. Assuming for FY 23 and FY 24 similar firearm and ammunition sales as those referenced above along with inflation rate adjustments of 4.2%¹ for FY 22, 2.4% for FY 23, and 2.3% for FY 24 results in an estimated decrease of state sales tax revenues of \$17,520,616 and \$30,726,154 for FY 23 and FY 24, respectively.

¹ IHS Markit/US Forecast Flash, January 3, 2022