

Fiscal Estimate Narratives
DOR 10/31/2019

LRB Number 19-4755/1	Introduction Number SB-542	Estimate Type Original
Description imposing a tax on firearm manufacturers and services provided to victims of crimes involving firearms, making an appropriation, and providing a penalty		

Assumptions Used in Arriving at Fiscal Estimate

This bill imposes a tax on a firearms manufacturer at the rate of 0.5 percent of the manufacturer's list price for each firearm made by the manufacturer that is offered for sale in this state. The tax collected under this bill is to be used by the Department of Justice to provide services to victims of crimes involving firearms.

Every gun sale made through a licensed dealer requires a National Instant Criminal System (NICS) Background Check. However, the number of NICS checks does not exactly match the number of guns sold. A single NICS background check may result in no sale made or multiple guns sold. Also some gun owners acquired their firearm from unlicensed sellers with no background checks required. DOR assume the NICS figures for Wisconsin represent all firearm sales in the state. From the NICS Firearm Background checks report, license firearm sales in WI was 437,887 units in FY2019.

The US Department of Justice Bureau of Alcohol, Tobacco, Firearm and Explosives (ATF) Firearm Commerce in the United States Annual Statistical Update 2019 shows firearms manufactured, exported and imported in the US in 2017. The 2019 Report shows net US firearm sales of 12,145,343 units, of which 7,054,716 are handguns (58%), 2,997,252 are rifles (25%), 1,337,073 are shotguns (11%), and 756,302 are miscellaneous firearms (6%). Assuming Wisconsin follows these same firearm distribution trends as the US, using NICS checks, DOR is able to estimate that out of the 484,098 firearms sold in the state in FY 2019, 254,350 were handguns, 108,063 were rifles, 48,207 were shotguns and 27,268 were miscellaneous firearms.

Since gun prices vary greatly, DOR focused on the average prices of the most common guns in the US. The average price for a handgun (Pistols & Revolvers) is about \$325, a rifle is \$800, a shotgun \$750 and miscellaneous firearms at \$625. A miscellaneous firearm refers to other firearms that are neither handguns nor long guns (examples of miscellaneous firearms would include pistol grip firearms, starter guns, and firearm frames and receivers).

The excise tax revenue is estimated by adding the product of firearms sold and their prices at a tax rate of 0.5 percent. Revenue derived from handguns is \$82.7 million (254,350 units x \$325), rifles is \$86.5 million (108,063 units x \$800), shotguns is \$36.2 million (48,207 units x \$750) and miscellaneous firearms at \$17 million (27,268 units x \$625) for a total sales revenue of \$222 million. At a 0.5 percent excise tax rate the excise tax revenues are estimated to be \$1.1 million.

The bill would require significant changes to the department's tax processing system, creation of a new tax type, and a new registration type. DOR would need to create an application, tax return, audit and processing letters, and published guidance. Additional programming and staffing are needed to implement the tax, as well as ongoing costs to enforce the tax. The Division of Technical Service (DTS) estimates 2,000 work hours for programming, development and testing for a onetime total cost of \$303,700. The Income, Sales & Excise Tax Division (IS&E) is estimating a total cost of \$326,200 comprising of a onetime cost of \$174,873 for development of forms & procedures and an ongoing cost of \$151,310 for the additional 2 revenue agents required for permit processing and tasks related to permits & returns.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$303,730 for development and testing of changes to State's tax processing system and \$174,873 for Income, Sales & Excise Tax Division (IS&E) staffing cost. Total onetime cost of \$478,600.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$143,910	\$
	(FTE Position Changes)	(2.0 FTE)	
	State Operations - Other Costs	7,400	
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$151,310	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S (20.455 (5)(hv))	151,310	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$1,100,000	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$1,100,000	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$151,310	\$
NET CHANGE IN REVENUE		\$1,100,000	\$

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Date

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