

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-2669/1	Introduction Number AB-0469
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Description
 imposing a tax on firearm manufacturers, services provided to victims of crimes involving firearms, making an appropriation, and providing a penalty

Fiscal Effect

State:

- | | | |
|--|---|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input checked="" type="checkbox"/> Create New Appropriations | <input checked="" type="checkbox"/> Increase Existing Revenues
<input type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Decrease Costs |
|--|---|---|

Local:

- | | | |
|--|--|--|
| <input type="checkbox"/> No Local Government Costs
<input type="checkbox"/> Indeterminate
1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
4. <input type="checkbox"/> Decrease Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Government Units Affected
<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
|--|--|--|

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS 20.455 (5) (hv)

Agency/Prepared By	Authorized Signature	Date
DOR/ Momodou Bah (608) 266-8133	Cari Redington (608) 266-2943	10/12/2023

Fiscal Estimate Narratives

DOR 10/12/2023

LRB Number	23-2669/1	Introduction Number	AB-0469	Estimate Type	Original
Description imposing a tax on firearm manufacturers, 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. In FY23 there were 612,436 NICS firearm background checks reported for Wisconsin. DOR assume this figure represents all firearm sales in the state.

The 2019 Firearm Commerce in the United States Annual Statistical report from the US Bureau of Alcohol, Tobacco, Firearm and Explosives (ATF) shows firearms manufactured, exported, and imported in the US. The 2019 Report (the most recent) shows net US firearm sales of 10,681,126 units, of which 6,067,861 were handguns (57%), 2,470,129 were rifles (23%), 1,201,668 were shotguns (11%), and 941,468 were miscellaneous firearms (9%). Assuming these same ratios for Wisconsin, and using the NICS checks above, the department estimates that out of the 612,436 firearms sold in the state in FY23, 347,920 were handguns, 141,633 were rifles, 68,901 were shotguns and 53,982 were miscellaneous firearms.

Since gun prices vary greatly, the department uses the average prices of the most common guns in the US. The average price for a handgun (Pistols & Revolvers) is about \$500, a hunting rifle is \$700 but an AR-15 rifle is \$750 (the department uses the average price of \$750), a shotgun \$600 and the department uses the averages for miscellaneous firearms at \$608. 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 estimated total retail sales are \$350.82 million being the sum of the product of firearms sold and their prices i.e. handguns \$173.96 million (347,920 units x \$500), rifles \$102.68 million (141,633 units x \$725), shotguns \$41.34 million (68,901 units x \$600) and miscellaneous firearms at \$32.84 million (53,982 units x \$608).

Assuming a 20% wholes markup for firearms, the department can estimate the wholesale revenue from firearms to be about \$292.35 million. At a 0.5 percent excise tax rate, the excise tax revenues estimated for FY23 is about \$1.46 million. The average annual growth rate for firearm sales in the past 10 years is 6.29%. Assuming this growth rate, the department can estimate excise tax revenue for FY24, FY25 and FY26 at \$1.55 million, \$1.65 million, and \$1.76 million respectively. The fiscal year estimates can be prorated depending on the effective date of the bill. These estimates may be lower or higher depending on the actual wholesale prices of firearms.

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 programing, development and testing for a onetime cost of \$259,910. The Income, Sales & Excise Tax Division (IS&E) is estimating a onetime cost of \$70,950 for development of forms & procedures and an ongoing cost of \$346,800 for 1 excise tax agent, 1 revenue agent, and 1 auditor for a total cost of \$417,750.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description imposing a tax on firearm manufacturers, services provided to victims of crimes involving firearms, making an appropriation, and providing a penalty		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$330,860		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$346,800	\$
(FTE Position Changes)	(3.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$346,800	\$
B. State Costs by Source of Funds		
GPR	346,800	
FED		
PRO/PRS		
SEG/SEG-S		
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	\$1,550,000	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$1,550,000	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$346,800	\$
NET CHANGE IN REVENUE	\$1,550,000	\$
Agency/Prepared By	Authorized Signature	Date
DOR/ Momodou Bah (608) 266-8133	Cari Redington (608) 266-2943	10/12/2023