



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Safe Firearm Storage/Sales Tax Exemption.
Bill Number: House Bill 56 (Second Edition)
Sponsor(s): Rep. Paré, Rep. Bell, Rep. Adams, and Rep. Dahle

SUMMARY TABLE

FISCAL IMPACT OF H.B. 56, V.2 (\$ in millions)															
	FY 2023-24		FY 2024-25		FY 2025-26		FY 2026-27		FY 2027-28						
State Impact															
General Fund Revenue															
Sales and Use Tax	(0.2)	to	(2.3)	(<0.1)	to	(0.9)	-	to	-	-	to	-	-	to	-
Less Expenditures	-	to	-	-	to	-	-	to	-	-	to	-	-	to	-
General Fund Impact	(0.2)	to	(2.3)	(<0.1)	to	(0.9)	-	to	-	-	to	-	-	to	-
NET STATE IMPACT	(\$0.2)	to	(\$2.3)	(<\$0.1)	to	(\$0.9)	No Fiscal Impact								
Local Impact															
Local Revenue	(0.1)	to	(1.1)	(<0.1)	to	(0.4)	-	to	-	-	to	-	-	to	-
Less Local Expenditures	-	to	-	-	to	-	-	to	-	-	to	-	-	to	-
NET LOCAL IMPACT	(\$0.1)	to	(\$1.1)	(<\$0.1)	to	(\$0.4)	No Fiscal Impact								

FISCAL IMPACT SUMMARY

H.B. 56 creates a temporary sales tax exemption for purchases of firearm safety and storage equipment during the period beginning October 1, 2023, and ending September 30, 2024. FRD estimates the bill will reduce State revenues by between \$230,000 and \$3.2 million and will reduce local government revenue by between \$100,000 and \$1.5 million collectively across Fiscal Years 2023-24 and 2024-25.

FISCAL ANALYSIS

Under North Carolina tax law, sales of tangible personal property are subject to sales and use taxes unless the property is specifically exempted in statute. The proposed legislation would amend G.S. 105-164.13 to temporarily exempt from sales tax purchases of certain firearm safety devices (designed to prevent the firearm from being operating without first deactivating the device) and firearm storage equipment devices (designed to prevent access to a firearm).

The North Carolina Department of Revenue does not collect data on the amount of tax revenue generated by sales of specific items in the State. To estimate the fiscal impact of the bill, FRD employed two approaches to produce a range within which the exemption is expected to reduce revenues across the two fiscal years during which the exemption is provided. This method was used 1) for a lower bound estimate to account for purchases of equipment specifically designed for firearm safety and storage, and 2) for an upper bound estimate to account for purchases of

equipment not specifically designed for firearms that would likely receive the exemption because of difficulties in retailers' determining the purpose for each purchase. For the lower range, FRD relied on other states' data and analyses that exempt similar gun safety and storage products from sales taxes, as well as financial data and estimates from those states. FRD used this other state information and adjusted for North Carolina's number of annual background checks for firearms, aggregated sales data, and tax rates. For the upper bound, FRD's estimate relies primarily on the state's share of total U.S. sales of safes and the State and weighted local sales tax rates. FRD notes that this upper bound would include safes purchased for non-home use, which the bill excludes, but for which data is not available.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Federal Bureau of Investigation-National Instant Criminal Background Check System; Global Industry Analysts; National Conference of State Legislatures; N.C. Department of Revenue; Pew Charitable Trusts; U.S. Census; U.S. Department of Commerce; Various other states' legislative fiscal analysis offices and revenue departments.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Brent Lucas

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
June 7, 2023



Signed copy located in the NCGA Principal Clerk's Offices