

Department of Revenue Fiscal Note

Bill Number: 2238 HB	Title: Ammunition tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 00 - 00 -		1,800,000	1,800,000	10,000,000	10,800,000
Total \$		1,800,000	1,800,000	10,000,000	10,800,000

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.6	1.3	0.3	0.2
Account					
GF-STATE-State 001-1		534,200	534,200	80,500	57,200
Total \$		534,200	534,200	80,500	57,200

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Tracey Taylor	Phone: 60-786-7152	Date: 01/09/2024
Agency Preparation: Taylor Culp	Phone: 60-534-1511	Date: 01/27/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/27/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/28/2024

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

Retail sales and use taxes apply to sales of ammunition in Washington.

Seattle has an additional tax on ammunition per round based on caliber as follows:

- 2 cents per round for ammunition measuring 22 caliber or less.
- 5 cents per round for all other ammunition.

PROPOSAL:

This bill adds an 11% retail sales and use tax on the sale or use of ammunition, in addition to any federal, state, and local on the sales or use of ammunition.

The new tax does not apply to sales to state, local, or tribal governments to supply law enforcement agencies.

All revenue from this tax must fund gun violence prevention programs, including domestic violence prevention and suicide prevention programs.

Ammunition means any projectiles with fuses, propelling charges, or primers designed to be fired from firearms. Ammunition includes any shotgun shell and any rifle, pistol, or revolver cartridge.

Law enforcement agencies include any:

- General authority Washington law enforcement agency
- Limited authority Washington law enforcement agency
- State or local agency providing or otherwise responsible for the custody, safety, and security of adults or juveniles incarcerated in correctional, jail, or detention facilities.

Law enforcement agency excludes the National Guard, state Guard, or any division of the United States armed forces.

EFFECTIVE DATE:

The bill takes effect January 1, 2025.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS

- In-store sales of ammunition represent 47% of total ammunition sales.
- This bill exempts law enforcement and military agencies from the new tax.
- Law enforcement and military agencies account for 50% of all ammunition purchases.
- The General Fund receives these taxes and the Legislature appropriates the revenue to agencies and programs focused on gun violence prevention, including domestic violence prevention and suicide prevention programs.
- Compliance:
 - 90% revenue collections in fiscal year 2025.
 - 95% revenue collections in fiscal year 2026 and thereafter.
- This new tax presents a Streamlined Sales and Use Tax Agreement (SSUTA) compliance risk. Sec. 308 of SSUTA provides that, "no member state shall have multiple state sales and use tax rates on items of personal property or services,

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except that a member state may impose a single additional rate, which may be zero, on food and food ingredients and drugs as defined by state law pursuant to the Agreement.” Washington is a member state. This bill would create multiple state sales and use tax rates; for example, the 6.5% state sales and use taxes rate and this new 11% additional sales or use taxes rate.

- This proposal takes effect January 1, 2025, and impacts five months of collections in fiscal year 2025.

DATA SOURCES

- Bureau of Alcohol, Tobacco, Firearms and Explosives, 2022 Report on Firearms Commerce in the U.S.
- National Shooting Sports Foundation, Industry Intelligence Report, Firearms Production in the U.S.
- National Shooting Sports Foundation, Fast Facts, Federal Restrictions on the Purchase and Sale of Ammunition
- Bureau of Justice Statistics, Census of State and Local Law Enforcement Agencies, 2018
- US Census Bureau. "Industry Revenue of ammunition (except Small Arms) Manufacturing in The U.S. from 2012 to 2024 (in Million U.S. Dollars)."
- IBISWorld, Guns & Ammunition Manufacturing in the US - Market Size (2003-2029)
- Statista, Industry revenue of "small arms ammunition manufacturing" in the U.S. from 2012-2024, October 2022

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$1.8 million in the five months of impacted collections in fiscal year 2025 and by \$4.9 million in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	\$ 1,800
FY 2026 -	\$ 4,900
FY 2027 -	\$ 5,100
FY 2028 -	\$ 5,300
FY 2029 -	\$ 5,500

Local Government (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This estimate affects approximately 3,300 taxpayers.

FIRST YEAR COSTS:

The department will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$534,200 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 2.64 FTEs.

- Set up, program, and test computer system changes.
- Gather requirements, test, and implement system changes.
- Assist with taxpayer education, review guidance, and train and review examiners' work.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses,

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individuals, and accountants.

- Create a special notice and update publications and information on the department's website.
- Amend one expedited rule.
- Adopt one new rule.

Object Costs - \$162,720.

- Computer system changes, including contract programming.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$80,500 and include similar activities described in the second-year costs. Time and effort equate to 0.3 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.6	1.3	0.3	0.2
A-Salaries and Wages		235,800	235,800	54,200	38,600
B-Employee Benefits		77,800	77,800	17,900	12,800
C-Professional Service Contracts		162,700	162,700		
E-Goods and Other Services		39,700	39,700	6,600	4,600
J-Capital Outlays		18,200	18,200	1,800	1,200
Total \$		\$534,200	\$534,200	\$80,500	\$57,200

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
EXCISE TAX EX 3	64,092		0.1	0.1	0.1	
IT B A-JOURNEY	91,968		1.3	0.7	0.2	0.1
IT B A-SR/SPEC	101,376		0.4	0.2	0.1	0.1
IT SYS ADM-JOURNEY	96,552		0.4	0.2		
MGMT ANALYST4	76,188		0.0	0.0		
TAX INFO SPEC 1	46,596		0.1	0.1		
TAX POLICY SP 2	78,120		0.1	0.1		
TAX POLICY SP 3	88,416		0.1	0.1		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			2.6	1.4	0.3	0.2

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-195-Rule, titled: "Taxes, deductibility" and use the standard process to adopt a new rule titled "Ammunition." Persons affected by these rulemakings would include ammunition sellers and buyers.



Ten-Year Analysis

Bill Number 2238 HB	Title Ammunition tax	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Ammunition tax	001		1,800,000	4,900,000	5,100,000	5,300,000	5,500,000	5,700,000	5,900,000	6,200,000	6,400,000	46,800,000
Total			1,800,000	4,900,000	5,100,000	5,300,000	5,500,000	5,700,000	5,900,000	6,200,000	6,400,000	46,800,000
Biennial Totals			1,800,000	10,000,000	10,800,000	11,600,000	12,600,000	46,800,000				

Narrative Explanation (Required for Indeterminate Cash Receipts)

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Ten-Year Analysis

Bill Number	Title	Agency
2238 HB	Ammunition tax	140 Department of Revenue

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Law enforcement agencies include any:

- General authority Washington law enforcement agency
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Agency Preparation: Taylor Culp	Phone: 360-534-1511	Date: 1/27/2024 8:41:24 am
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 1/27/2024 8:41:24 am
OFM Review:	Phone:	Date: