

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 18, 2013**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB3278** by Gonzalez, Naomi (Relating to the collection and enforcement of sales and use taxes on imported firearms.), **As Introduced**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB3278, As Introduced: a positive impact of \$12,010,000 through the biennium ending August 31, 2015.
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**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	\$5,860,000
2015	\$6,150,000
2016	\$6,460,000
2017	\$6,780,000
2018	\$7,120,000

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain from General Revenue Fund 1</b>	<b>Probable Revenue Gain from Cities</b>	<b>Probable Revenue Gain from Transit Authorities</b>	<b>Probable Revenue Gain from Counties and Special Districts</b>
2014	\$5,860,000	\$1,080,000	\$370,000	\$180,000
2015	\$6,150,000	\$1,130,000	\$390,000	\$190,000
2016	\$6,460,000	\$1,190,000	\$400,000	\$200,000
2017	\$6,780,000	\$1,250,000	\$420,000	\$210,000
2018	\$7,120,000	\$1,310,000	\$450,000	\$220,000

**Fiscal Analysis**

This bill would amend Chapter 151, Tax Code, relating to the sales and use taxation of certain firearms.

Section 151.007 would be amended to provide that the sales price or receipts of a firearm transferred in a transaction involving a person who holds a federal firearms license is the greatest

of: 1) the sales price listed on the Bureau of Alcohol, Tobacco, and Firearms Transaction Record Form 4473; 2) the price shown on an invoice from the seller if that is the actual price; or 3) \$500.

Section 151.008(b) would be amended by adding new Subdivision (7) to include in the definition of seller and retailer a person who holds a federal firearms license and is from time to time entrusted with possession of tangible personal property under that license with respect to which another person has title or another ownership interest.

Section 151.103 is amended by adding new Subsection (d) to provide that a sale includes a transfer of interest in a firearm in which a Bureau of Alcohol, Tobacco, and Firearms Transaction Record Form 4473 is completed.

The bill would take effect September 1, 2013.

### **Methodology**

The bill effectively imposes a minimum price, for the purpose of determining sales tax liability but not for the purpose of establishing a minimum selling price, of \$500 for the sale of a firearm by a federally licensed firearms dealer. Survey data on average prices of sales of handguns, rifles, and shotguns from industry sources and statistics for the number of FBI criminal background checks for gun purchases in the state was used to estimate a distribution of selling prices for guns, which was used to estimate a weighted average increase in taxable price that would result from the \$500 minimum price that would be required by the bill for purposes of calculating sales tax liability. From this was estimated annual amounts of increase in nominal taxable sales to which the state sales tax rate was applied. Implications for units of local government were estimated proportionally.

### **Local Government Impact**

There would be a corresponding gain of sales and use tax revenue to local taxing jurisdictions.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD