

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1045S.07R  
 Bill No.: Re-Perfected SS No. 3 for SCS for SB 131  
 Subject: Taxation and Revenue - Sales and Use; Firearms; Taxation and Revenue - Income;  
 Tax Credits  
 Type: #Updated  
 Date: March 30, 2023

#Updated response from the Missouri Department of Conservation regarding the FTE, software, and capital improvement costs for SA 3 - pages 1, 2, 9, 10 & 12

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Bill Summary: This proposal modifies provisions relating to firearms tax relief.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	(\$8,817,789 to \$58,552,362)	(\$13,306,734 to \$83,476,675)	(\$13,307,614 to \$83,476,675)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$8,817,789 to \$58,552,362)</b>	<b>(\$13,306,734 to \$83,476,675)</b>	<b>(\$13,307,614 to \$83,476,675)</b>

\***Oversight** notes the funds impacted by §135.098 and §144.064.3 (excise tax used as a tax credit or a sales tax reduction) will change depending on whether the income tax credit or sales tax retention is utilized. An income tax credit will only impact state General Revenue, while the sales tax retention will impact all state and local funds receiving sales taxes.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
School District Trust Fund (0688)	(\$2,912,552 to \$19,490,743)	(\$2,801,000 to \$23,340,715)	(\$2,801,000 to \$23,340,715)
Conservation Commission Fund (0609)	#Could significantly exceed (\$2,354,069 to \$4,426,343)	#Could significantly exceed (\$2,190,125 to \$4,757,589)	#Could significantly exceed (\$2,190,125 to \$4,757,589)
Parks and Soils State Sales Tax Fund(S) (0613 & 0614)	(\$291,256 to \$1,949,075)	(\$280,100 to \$2,334,071)	(\$280,100 to \$2,334,071)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>#Could significantly exceed (\$5,55,877 to \$25,866,161)</b>	<b>#Could significantly exceed (\$5,271,225 to \$30,432,375)</b>	<b>#Could significantly exceed (\$5,271,225 to \$30,432,375)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
General Fund	1 FTE	1 FTE	1 FTE
Conservation Commission	#10 FTE	#10 FTE	#10 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>#11 FTE</b>	<b>#11 FTE</b>	<b>#11 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>(\$11,854,086 to \$79,327,323)</b>	<b>(\$11,400,070 to \$94,996,710)</b>	<b>(\$11,400,070 to \$94,996,710)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 135.098 Firearms Excise Tax Credit & 144.064.3 Sales Tax Deduction for Firearms Excise Tax Paid**

Officials from the **Department of Revenue (DOR)** note manufacturers who sell firearms and ammunition pay a federal excise tax of 10% on the sale price of all pistols and revolvers and 11% on the sale price of all other firearms and ammunition (shells & cartridges). This firearms excise tax is paid quarterly by the manufacturer.

This provision in Section 135.098, will allow manufacturers who pay the federal firearms excise tax to be reimbursed for the amount of federal firearms excise tax they pay. The tax credit would begin on January 1, 2024, and be equal to 100% of the federal firearms tax paid. They can claim this credit against their Missouri individual income tax or corporate tax liability on their tax return.

This credit is not refundable and does not have any limit on the amount of credits claimed by all filers annually. This provision does have a sunset clause.

Per information released by the Internal Revenue Service on the amount of firearms excise tax collected and the FBI Background check information DOR was able to estimate that Missouri's firearms sales are 1.7% of the total sold:

Tax Year	Federal Excise Tax	MO FBI Checks	US FBI Checks
2019	\$544,548,000	497,858	28,007,320
2020	\$665,253,000	708,184	39,326,079
2021	\$1,102,708,000	634,191	38,573,127
3-year average	\$770,836,333	613,411	35,302,175

Therefore \$13,394,061 ( $\$770,836,333 * 1.7\%$ ) was paid in federal firearms excise tax by Missourians. Since this is a non-refundable tax credit, DOR assumes this will result in a loss to general revenue of less than \$13,394,061 annually.

Currently a retailer who sells tangible personal property is required to collect and remit sales tax on the items. That sales tax is reported to DOR either monthly, quarterly or annually.

Under Section 144.064.2 a retailer who only sells firearms and ammunition will no longer be required to collect or remit sales tax. However, some retailers (big box stores) sell firearms/ammunition and other items. Those retailers would no longer be required to collect and remit on their firearms sales but are still required to collect and remit on their other items.

This proposal in Section 144.064.3 creates an alternative way to allow the retailers to receive their federal firearms excise tax back. Instead of choosing to receive the tax credit they can deduct the amount paid in the firearms excise tax from the other sales tax they owe. This way they are reimbursed for the requirement to pay the federal firearms excise tax.

This sales tax deduction is to begin with the effective date of the proposal August 28, 2023 (FY 2024). Since the tax credit will not begin until tax year January 1, 2024 which would not be claimed until they file their returns in January 2025, DOR assumes they will all claim the sales tax deduction in FY 2024.

The Department notes the current state sales tax is 4.225%:  
 General Revenue is 3%  
 School District Trust Fund is 1%  
 Conservation Commission is 0.125%  
 Parks, Soil & Water Funds are 0.1%  
 Total 4.225%

The state uses a 4.07% weighted average for the local sales tax.

Since all the taxpayers would have to claim the sales tax exemption for September through December of 2023 it would result in the following impact to the state and local sales tax funds:

Estimated Sales Tax Retention by Tax Year

State Fund	TY 2023		TY2024	
General Revenue	Up to	(\$1,735,156)	\$0 or up to	(\$4,844,145)
Education (SDTF)	Up to	(\$578,385)	\$0 or up to	(\$1,614,715)
Conservation	Up to	(\$72,298)	\$0 or up to	(\$201,839)
DNR	Up to	(\$57,839)	\$0 or up to	(\$161,471)
Total State Loss	Up to	(\$2,443,678)	\$0 or up to	(\$6,822,170)
Local Sales Tax	Up to	(\$2,354,028)	\$0 or up to	(\$6,571,890)

For the remainder of FY 2024, January through June 2024 DOR would assume that some of the taxpayers will chose to claim the sales tax while others would switch to the tax credit. This could potentially result in 10 months of sales tax in 2024.

## Estimated Sales Tax Retention by Fiscal Year

<u>State Fund</u>	<u>FY 2024</u>		<u>FY 2025</u>	
General Revenue	Up to	(\$4,157,229)	\$0 or up to	(\$4,844,145)
Education (SDTF)	Up to	(\$1,385,743)	\$0 or up to	(\$1,614,715)
Conservation	Up to	(\$173,218)	\$0 or up to	(\$201,839)
DNR	Up to	(\$138,575)	\$0 or up to	(\$161,471)
Total State Loss	Up to	(\$5,854,765)	\$0 or up to	(\$6,822,170)
Local Sales Tax	Up to	(\$5,639,973)	\$0 or up to	(\$6,571,890)

For all the other fiscal years, the taxpayer can choose to take the tax credit (only general revenue impact) or the sales tax deduction (sales tax funds impact). In order to show the potential of either choice DOR will show the impact from \$0 to all choosing the sales tax deduction for all sales tax funds except general revenue. For general revenue DOR will show the impact as \$0 to the sales tax amount up to all taxpayers choosing the tax credit amount.

Table 4: Summary By Fund and Fiscal Year

State Fund	FY 2024		FY 2025+	
	Low	High	Low	High
General Revenue				
Sales Tax Exemption	(\$7,002,500)	(\$54,315,000)	(\$8,403,000)	(\$65,178,000)
Tax Credit	\$0	\$0 Or	Up to (\$13,394,061) Or	Up to (\$13,394,061) Or
Sales Tax Retention	(\$1,735,156)	Up to (\$4,157,229)	Up to (\$4,844,145)	Up to (\$4,844,145)
<b>Total GR (tax credit vs. sales tax retention)</b>	<b>(\$8,737,656)</b>	<b>(\$54,315,000) Or (\$58,472,229)</b>	<b>(\$21,797,061) Or (\$13,247,145)</b>	<b>(\$78,572,061) Or (\$70,022,145)</b>
Education				
Sales Tax Exemption	(\$2,334,167)	(\$18,105,000)	(\$2,801,000)	(\$21,726,000)
Sales Tax Retention	(\$578,385)	Up to (\$1,385,743)	Up to (\$1,614,715)	Up to (\$1,614,715)
Total SDTF	(\$2,912,552)	Up to (\$19,490,743)	Up to (\$4,415,715)	Up to (\$23,340,715)
Conservation				
Sales Tax Exemption	(\$291,771)	(\$2,263,125)	(\$350,125)	(\$2,715,750)
Sales Tax Retention	(\$72,298)	Up to (\$173,218)	Up to (\$201,839)	Up to (\$201,839)
Total Conservation	(\$364,069)	Up to (\$2,436,343)	Up to (\$551,964)	Up to (\$2,917,589)
DNR				
Sales Tax Exemption	(\$233,417)	(\$1,810,500)	(\$280,100)	(\$2,172,600)
Sales Tax Retention	(\$57,839)	Up to (\$138,575)	Up to (\$161,471)	Up to (\$161,471)
Total DNR	(\$291,256)	Up to (\$1,949,075)	Up to (\$441,571)	Up to (\$2,334,071)
<b>Total State Revenues (tax credit vs. sales tax retention)</b>	<b>(\$12,305,533)</b>	<b>(\$76,493,625) Or (\$82,348,390)</b>	<b>(\$25,228,286) Or (\$18,656,395)</b>	<b>(\$105,186,411) Or (\$98,614,520)</b>

<u>Local Funds</u>				
Sales Tax Exemption	(\$9,500,058)	(\$73,687,350)	(\$11,400,070)	(\$88,424,820)
Sales Tax Retention	(\$2,354,028)	Up to (\$5,639,973)	Up to (\$6,571,890)	Up to (\$6,571,890)
<b>Total Local Funds</b>	<b>(\$11,854,086)</b>	<b>Up to (\$79,327,323)</b>	<b>Up to (\$17,971,960)</b>	<b>Up to (\$94,996,710)</b>

The federal firearms excise tax would be a new income tax credit and it would be added to the MO-TC and information about the credit would be added to their website and changes would be needed in the individual income tax computer system. DOR notes the costs to update these items is \$7,193.

The sales tax deduction would require changes to the existing sales tax forms, website and computer system. Those changes are estimated to cost \$7,193.

DOR assumes they will need one Associate Customer Service Representative (\$31,200) to handle the tax credits and sales tax deduction. Should the number justify additional FTE DOR will seek those through the appropriation process.

- 1 FTE Associate Customer Service Rep for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Rep for every 7,600 errors/correspondence generated

**Oversight** assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs for computer upgrades related to this proposal. However, given the number of returns which might be affected Oversight will show the above-mentioned 1 FTE for purposes of this fiscal note. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

**Section 144.064.2 Firearms and Ammunition Sales Tax Exemption**

Officials from the **Department of Revenue (DOR)** note this proposal would grant a state and local sales tax exemption for firearms and ammunition sold in this state. The current sales tax rate on firearms and ammunition is 4.225%. This would remove the tax on these purchases starting August 28, 2023 the effective date of this proposal.

The Department notes the current state sales tax is 4.225%:

General Revenue is 3%  
 School District Trust Fund is 1%  
 Conservation Commission is 0.125%  
 Parks, Soil & Water Funds are 0.1%  
 Total 4.225%

The state uses a 4.07% weighted average for the local sales tax.

The Department looked into the price of various firearms. DOR found that no single source maintains data on the amount of firearms that are sold annually. DOR found that prices varied on the different types of firearms:

Rifles \$500-\$10,000  
Shotguns \$400-\$2,000  
Handguns \$250-\$2,500  
Revolvers \$200-\$1,500

The FBI background check report for Missouri in 2022 showed 472,720 background checks were completed but does not record the price of a firearm. The Department used a \$500 cost for a firearm to estimate the impact of this proposal.

The Department notes this proposal becomes effective August 28, 2023. For the simplicity of the fiscal note, DOR will show an impact of 10 months in FY 2024. The lost revenue to the state and locals would be distributed among the funds as follows:

Firearms Only

	FY 2024 (10 months)	FY 2025
General Revenue	(\$5,909,000)	(\$7,090,800)
School District	(\$1,969,667)	(\$2,363,600)
Conservation	(\$246,208)	(\$295,450)
Park Soil	(\$196,967)	(\$236,360)
Locals	(\$8,016,543)	(\$9,619,852)

The Department was unable to find information on the amount of ammunition sold in Missouri. However, the National Shooting Sports Foundation estimates at least 8.1 billion rounds of ammunition are manufactured in the United States annually. Given that Missouri's population is 1.8% of the total population DOR could assume that as much as 145,800,000 rounds of ammunition are sold in Missouri annually.

Just like the firearms that vary in price based on the size of the weapon so does the ammunition. The current price is anywhere from \$15 to \$60 per box, with anywhere from 20 rounds to 50 rounds per box. Assuming all the ammunition in Missouri were sold as 50 rounds per box it would result in 2.9 million boxes of ammunition being sold. At the minimum price of \$15 per box this would result in taxable sales of \$43,740,000. At the state sales tax rate of 4.225% this proposal would result in a loss of \$1,848,015 in state sales tax and another \$1,780,218 in local sales tax being exempt. Using this information DOR could see a loss of:

**Ammunition Only**

	FY 2024 (10 months)	FY 2025+
General Revenue	(\$1,093,500)	(\$1,312,200)
School District	(\$364,500)	(\$437,400)
Conservation	(\$45,563)	(\$54,675)
Park Soil	(\$36,450)	(\$43,740)
Locals	(\$1,483,515)	(\$1,780,218)

The Bureau of Economic Analysis maintains records on the amount of sporting equipment, supplies, guns and ammunition that are sold annually. However, these items are lumped together and not segregated for just firearms or ammunition. According to their September 30, 2022 report there was \$120.7 billion in goods sold in this category. Since Missouri is 1.8% of the population DOR could assume that \$2,172,600,000 of that category is sold here.

**All Sporting Goods (firearms & ammunition)**

	FY 2024 (10 months)	FY 2025+
General Revenue	(\$54,315,000)	(\$65,178,000)
School District	(\$18,105,000)	(\$21,726,000)
Conservation	(\$2,263,125)	(\$2,715,750)
Park Soil	(\$1,810,500)	(\$2,172,600)
Locals	(\$73,687,350)	(\$88,424,820)

For the purpose of the fiscal note, DOR will range the impact from the firearms and ammunition combined amount (low range) to the sporting goods amount (high range).

	FY 2024 (10 months)		FY 2025+	
	Low	High	Low	High
General Revenue	(\$7,002,500)	(\$54,315,000)	(\$8,403,000)	(\$65,178,000)
School District	(\$2,334,167)	(\$18,105,000)	(\$2,801,000)	(\$21,726,000)
Conservation	(\$291,771)	(\$2,263,125)	(\$350,125)	(\$2,715,750)
Park Soil	(\$233,417)	(\$1,810,500)	(\$280,100)	(\$2,172,600)
Locals	(\$9,500,058)	(\$73,687,350)	(\$11,400,070)	(\$88,424,820)

This will require updates to the Department’s sales tax system, estimated at \$7,193. This proposal also has the potential to increase the number of refund requests. DOR will need 1 Associate Customer Service Representative for every increase of 1,100 refund requests. At this time DOR believes they can absorb the impact, however, should they get enough refunds claims to justify new FTE DOR will seek them through the appropriations process.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

**Oversight** notes both DOR & B&P assume this proposal will have a negative fiscal impact to both state and local funds. Therefore, Oversight will show B&P's and DOR's lowest and highest projected fiscal estimates to show the maximum low and high impact of this proposal.

### **SA 2 - Made in USA**

Officials from the **Department of Revenue (DOR)** note this amendment adds clarifying language that requires the ammunition to be made in the U.S.A. This will not have any additional fiscal impact.

### **SA 3 - Section 252.355 Hunting and Fishing Permits**

Officials from the **Department of Revenue (DOR)** note this amendment would allow taxpayers to receive a free hunting license or fishing permit, if they paid state sales tax. This will not impact DOR as it only impacts the Department of Conservation.

Officials from the **Missouri Department of Conservation (MDC)** report a negative fiscal impact of greater than \$250,000. #The Department would need 10 FTE totaling \$690,000 ongoing to process receipts submitted to ensure sufficient proof of sales tax being paid, as required by the legislation.

#MDC also reports the need for additional office space as the Headquarter office is currently at capacity. This cost to lease office space in Jefferson City is estimated at \$300,000 for the first year and \$150,000 ongoing.

#The Department does not process these claims currently so new IT infrastructure will be required. The Department estimates the need for \$1 million ongoing to create and maintain a system for the public to submit receipts.

The Department receives federal reimbursements for qualifying sales of hunting and fishing permits. These credited permits would not count toward the federal reimbursement. Therefore, the Department reports an unknown negative fiscal impact from loss of federal reimbursements with additional loss of permit revenue as well. In Fiscal Year 22, these two items totaled over \$76 million.

**Oversight** notes this provision allows any person who has paid an amount of sales tax during a calendar year that is equal or greater than the cost of a hunting or fishing permit shall be eligible to receive a hunting or fishing permit for such year free of charge.

**Oversight** notes according to the Missouri Department of Conservation [website](#), MDC received # \$34,788,222 in permit sales and \$33,498,035 Federal Reimbursements in FY 2022.

**Oversight** is unable to determine the number of taxpayers who take advantage of this new language and may provide documentation to MDC to receive the free hunting and fishing permits as a result of this proposal. Therefore, Oversight will show a negative unknown, potentially significant, impact from this provision to the Conservation Commission fund beginning in FY 2024.

**Responses regarding the proposed legislation as a whole**

Officials from the **Department of Commerce and Insurance** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Officials from the **City of Kansas City** assume there is a negative fiscal impact of an indeterminate amount.

Officials from the **City of Springfield** anticipate a negative fiscal impact, but cannot estimate an amount, because it has no data on the amount of tax presently collected for sales of firearms and ammunition.

**Oversight** notes the above local political subdivisions stated this proposal would have a negative fiscal impact on their respective cities of an indeterminate amount. **Oversight** will note DOR’s estimated impact for all local political subdivisions on the fiscal note.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE*</b>			
<u>Revenue Reduction</u> - §135.098 federal excise tax 100% income tax credit* p. (3-7)	\$0	\$0 or up to (\$13,394,061)	\$0 or up to (\$13,394,061)

<u>Revenue Reduction</u> - §144.064.2 sales tax exemption of firearms and ammunition p. (7-9)	(\$7,002,500 to \$54,315,000)	(\$8,403,000 to \$65,178,000)	(\$8,403,000 to \$65,178,000)
<u>Revenue Reduction</u> - §144.064.3 sales tax retention* p. (3-7)	Up to (\$1,735,156 to \$4,157,229)	\$0 or up to (\$4,844,145)	\$0 or up to (\$4,844,145)
<u>Costs</u> – DOR p. (6)			
Personnel Service	(\$26,000)	(\$31,824)	(\$32,460)
Fringe Benefits	(\$22,473)	(\$27,195)	(\$27,427)
Expense & Equipment	(\$31,660)	(\$570)	(\$582)
<u>Total Costs</u> -	<u>(\$80,133)</u>	<u>(\$59,589)</u>	<u>(\$60,469)</u>
FTE Change	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE*</b>	<b><u>(\$8,817,789 to \$58,552,362)</u></b>	<b><u>(\$13,306,734 to \$83,476,675)</u></b>	<b><u>(\$13,307,614 to \$83,476,675)</u></b>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue Reduction</u> - §144.064.2 sales tax exemption of firearms and ammunition p. (7-9)	(\$2,334,167 to \$18,105,000)	(\$2,801,000 to \$21,726,000)	(\$2,801,000 to \$21,726,000)
<u>Revenue Reduction</u> - §144.064.3 sales tax retention* p. (3-7)	Up to (\$578,385 to \$1,385,743)	\$0 or up to (\$1,614,715)	\$0 or up to (\$1,614,715)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$2,912,552 to \$19,490,743)</u></b>	<b><u>(\$2,801,000 to \$23,340,715)</u></b>	<b><u>(\$2,801,000 to \$23,340,715)</u></b>
<b>CONSERVATION TRUST FUND</b>			
<u>Revenue Reduction</u> - §144.064.2 sales tax exemption of firearms and ammunition p. (7-9)	(\$291,771 to \$2,263,125)	(\$350,125 to \$2,715,750)	(\$350,125 to \$2,715,750)

<u>Revenue Reduction</u> - §144.064.3 sales tax retention* p. (3-7)	Up to (\$72,298 to \$173,218)	\$0 or up to (\$201,839)	\$0 or up to (\$201,839)
<u>Revenue Reduction</u> - §252.355 - Free hunting and fishing permits with proof of sales tax paid p. (9-10)	(Unknown, could be significant)	(Unknown, could be significant)	(Unknown, could be significant)
<u>Costs</u> – MDC p. (10)			
Personnel Service, Fringe and E&E	#Could exceed (\$690,000)	#Could exceed (\$690,000)	#Could exceed (\$690,000)
FTE Change	#10 FTE	#10 FTE	#10 FTE
<u>Costs</u> – MDC - §252.355 – IT System for sales tax receipt submissions p. (10)	#\$1,000,000)	#\$1,000,000)	#\$1,000,000)
<u>Costs</u> – MDC - §252.355 – Capital Improvements p. (10)	#\$300,000)	#\$150,000)	#\$150,000)
<b>ESTIMATED NET EFFECT ON CONSERVATION TRUST FUND</b>	<b>#Could significantly exceed (\$2,354,069 to \$4,426,343)</b>	<b>#Could significantly exceed (\$2,190,125 to \$4,757,589)</b>	<b>#Could significantly exceed (\$2,190,125 to \$4,757,589)</b>
<b>PARK, SOIL, &amp; WATER FUND</b>			
<u>Revenue Reduction</u> - §144.064.2 sales tax exemption of firearms and ammunition p. (7-9)	(\$233,417 to \$1,810,500)	(\$280,100 to \$2,172,600)	(\$280,100 to \$2,172,600)
<u>Revenue Reduction</u> - §144.064.3 sales tax retention* p. (3-7)	Up to (\$57,839 to \$138,575)	\$0 or up to (\$161,471)	\$0 or up to (\$161,471)
<b>ESTIMATED NET EFFECT ON PARK, SOIL, &amp; WATER FUND</b>	<b>(\$291,256 to \$1,949,075)</b>	<b>(\$280,100 to \$2,334,071)</b>	<b>(\$280,100 to \$2,334,071)</b>

\*Oversight notes the funds impacted by §135.098 and §144.064.3 (excise tax used as a tax credit or a sales tax reduction) will change depending on whether the income tax credit or sales tax retention is utilized. An income tax credit will only impact state General Revenue, while the sales tax retention will impact all state and local funds receiving sales taxes.

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
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<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Reduction</u> - §144.064.2 sales tax exemption of firearms and ammunition p. (7-9)	(\$9,500,058 to \$73,687,350)	(\$11,400,070 to \$88,424,820)	(\$11,400,070 to \$88,424,820)
<u>Revenue Reduction</u> - §144.064.3 sales tax retention* p. (3-7)	Up to (\$2,354,028 to \$5,639,973)	\$0 or up to (\$6,571,890)	\$0 or up to (\$6,571,890)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$11,854,086 to \$79,327,323)</u></b>	<b><u>(\$11,400,070 to \$94,996,710)</u></b>	<b><u>(\$11,400,070 to \$94,996,710)</u></b>

\***Oversight** notes section 135.098.5 states a taxpayer shall not claim a tax credit pursuant to this section if the taxpayer has retained sales tax pursuant to section 144.064 for the same federal firearms excise tax paid. Oversight is unable to determine how many businesses will claim the income tax credit or the sales tax retention. Oversight will reflect the maximum potential impact under both scenarios as a \$0 or up to the maximum impact estimated by DOR and B&P for each provision.

FISCAL IMPACT – Small Business

Small businesses that purchase or sell firearms or ammunition could be impacted by this proposal.

FISCAL DESCRIPTION

This act establishes provisions relating to firearms tax relief.

**FIREARMS EXCISE TAX INCOME TAX CREDIT**

For all tax years beginning on or after January 1, 2024, this act authorizes a tax credit for taxpayers making sales of firearms or ammunition. The tax credit shall be equal to the amount of the federal firearms and ammunition excise tax imposed on the sale of such firearms and ammunition sold by the taxpayer during the tax year.

Tax credits authorized by the act shall not be refundable, and shall not be transferred, sold, or assigned. A taxpayer shall not be able to claim a tax credit pursuant to the act if the taxpayer also retained sales taxes pursuant to the act for the same federal firearms excise tax paid.

This act shall sunset on December 31, 2029, unless reauthorized by the General Assembly. (Section 135.098)

## FIREARMS EXCISE TAX SALES TAXES

Beginning August 28, 2023, this act provides that all sales of firearms and ammunition sold in this state shall be exempt from state and local sales taxes.

Beginning August 28, 2023, from every remittance of sales tax to the Director of Revenue made by a person selling firearms or ammunition, the person shall be entitled to deduct and retain an amount equal to the amount of the federal firearms and ammunition excise tax paid by such person on the sale of ammunition and firearms sold by such person.

This provision is substantially similar to SB 1102 (2022) and SB 567 (2021). (Section 144.064)

## HUNTING AND FISHING PERMITS

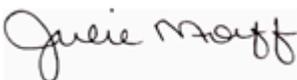
This act provides that any person who has paid an amount of sales tax during a calendar year that is equal or greater than the cost of a hunting or fishing permit shall be eligible to receive a hunting or fishing permit for such year free of charge.

A person applying for a hunting or fishing permit pursuant to the act shall submit proof of having paid sufficient amount of sales tax to qualify for a free permit pursuant to the act. The Conservation Commission shall publish information on its website indicating the required amount of sales tax paid in order to qualify for a free hunting or fishing permit. (Section 252.355)

This legislation is not federally mandated, would not duplicate any other program but may require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Revenue  
Missouri Department of Conservation  
Department of Commerce and Insurance  
Department of Natural Resources  
City of Kansas City  
City of Springfield



Julie Morff  
Director  
March 30, 2023



Ross Strobe  
Assistant Director  
March 30, 2023