

[Assembly Bill 2540](#) (Melendez)

Date: Introduced

Program: Sales and Use Tax

Sponsor: Author

Revenue and Taxation Code: 6372

Effective: Immediately but operative January 1, 2017 to January 1, 2018

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**Summary:** Provides a partial sales and use tax exemption (6%) in 2017 for the sale of trigger locks and gun safes sold for less than \$1,000.

**Purpose:** According to the author’s office, this bill would encourage gun owners to purchase safes and trigger locks to store their firearms, keeping children safe and preventing firearms from being stolen.

**Fiscal Impact Summary:** Revenue loss of \$3.6 million in Calendar Year 2017-2018.

**Existing Law:** California’s Sales and Use Tax Law<sup>1</sup> imposes the sales tax on retailers for the privilege of selling tangible personal property at retail in this state or the use tax upon the storage, use, or other consumption of tangible personal property in this state, unless the law provides a specific exemption or exclusion. Currently, the Sales and Use Tax Law does not provide any exemption for sales of trigger locks or gun safes.

**California’s sales and use tax rates:** Effective January 1, 2017, California’s statewide sales and use tax rate will be 7.25%.<sup>2</sup> The table below shows California’s various sales and use tax rate components, that will apply as of January 1, 2017 (the table excludes voter-approved city and county district taxes):

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes (Revenue and Taxation Code (RTC) Sections 6051, 6051.3, 6201, and 6201.3)
1.0625%	Local Revenue Fund 2011	Realignment of local public safety services (RTC Sections 6051.15 and 6201.15)
0.50%	State (Local Revenue Fund)	Local governments to fund health and welfare programs (RTC Sections 6051.2 and 6201.2)
0.50%	State (Local Public Safety Fund)	Local governments to fund public safety services (Section 35, Article XIII, State Constitution)
1.25%	Local (City/County) 1.00% City and County 0.25% County	(RTC Sections 7202 and 7203); City and county general operations Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

**Proposed Law:** The bill adds RTC Section 6372 to the Sales and Use Tax Law to provide a partial sales tax exemption (6%) for the sale, storage, use, or other consumption in this state of qualified property.

Qualified property is defined to include both:

- Gun safes as defined in Penal Code Section 16610<sup>3</sup> with a cost of \$1000 or less; and

<sup>1</sup> Part 1 of Division 2 of the Revenue and Taxation Code (RTC) (commencing with Section 6001).

<sup>2</sup> The 0.25% tax imposed under Section 36 of Article XIII of the State Constitution (Proposition 30, The Schools and Local Public Safety Protection Act of 2012) will sunset December 31, 2016.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE’s formal position

- Trigger locks

The exemption is operative from January 1, 2017, to January 1, 2018.

**Legislative History:** Two bills have been introduced to provide a sales tax exemption for firearm safety devices and gun safes.

Year	Bill	Summary
2006	AB 2096 (Parra)	State tax exemption on firearm safety device or gun safe, as defined, beginning January 1, 2007. Failed in Assembly Appropriations.
2006	AB 2111 (Haynes)	State tax exemption on firearm safety device, gun safe or long gun safe, as defined, beginning January 1, 2007. The sales tax exemption was amended out in the Assembly.

**Commentary:**

1. **Effect of the bill.** This bill provides a one year, partial sales and use tax exemption (6%) for the sale of gun safes, as defined, that cost less than \$1,000 and trigger locks.
2. **Partial exemptions complicate administration.** Currently, most sales and use tax exemptions are applied to the total applicable sales and use tax. However, a few partial exemptions in California law only exempt the state tax portion of the sales and use tax rate. They include sales and purchases of manufacturing and research and development equipment, teleproduction equipment and farm equipment. These partial exemptions complicate return preparation and processing, and result in more errors.
3. **Proposed exemption would apply to a variety of safes.** Based on the requirements of Penal Code Section 23650, safes designed to store and protect any valuables, including documents and jewelry, also would be exempt from the sales tax. For example, all Liberty safes meet the standards in Penal Code Section 23650. Therefore, any safe that can fully contain and secure one or more firearms and meets the standards for gun safes would qualify for the proposed exemption, regardless of the purpose for which they are purchased.
4. **State and federal laws require gun safety devices to accompany every gun sale.** The Aroner-Scott-Hayden Firearms Safety Act of 1999<sup>4</sup> prohibits the sale, transfer or manufacture of a firearm within California unless that firearm is (1) accompanied by a U.S. Department of Justice firearm safety device or (2) the purchaser owns a qualifying gun safe that meets the Attorney General’s minimum safety standards or is certified as meeting Underwriters Laboratories Residential Security Container rating standards by a Nationally Recognized Testing Laboratory.

The federal Protection of Lawful Commerce in Arms Act<sup>5</sup> of 2005 requires any licensed importer, manufacturer, or dealer to provide a secure gun storage or safety device when selling, delivering, or transferring any handgun to any person other than another federally-licensed gun importer, manufacturer, or dealer.

Since every new gun sale or private party sale is required to include a storage or gun safety device, this exemption principally would encourage qualified purchases by individuals who purchased guns in California prior to 2002 and handguns within the United States prior to 2006.

5. **Related Legislation.** [Senate Bill 890](#) (Gains) proposes a two-day exemption each September and October for the state portion (3.9375%) of the sales and use tax rate on firearms, firearm accessories, ammunition, and hunting supplies purchased by an individual with a valid hunting license.

<sup>3</sup> Penal Code Section 16610 defines “gun safe” to mean a locking container that fully contains and secures one or more firearms and that meets the standards for gun safes adopted pursuant to Penal Code Section 23650.

<sup>4</sup> Penal Code 23620 (Added by Stats. 2010, Ch. 822, Sec. 6 Effective January 1, 2011)

<sup>5</sup> Public Law 109-92 (119 Stat. 2095)

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**Administrative Costs:** BOE would incur costs to revise sales tax returns, program changes, review returns with claimed exemptions, audit claimed amounts, revise regulations and pamphlets, notify affected taxpayers, and answer inquiries from industry and the public. An estimate of these costs is pending.

### **Revenue Impact:**

**Background, Methodology, and Assumptions.** Identifying sales data on gun safes and trigger locks is challenging; however, staff used industry data suggesting that safe and vaults manufacturing is an estimated \$500 million industry in the United States. It should be noted that similar bills have been proposed in Michigan and Virginia, but obtaining specific gun safe sales data has been extremely difficult.

Data for sales of trigger locks is unavailable. The starting price point for trigger locks is approximately \$10. The number of trigger locks currently sold in the state is unknown.

Based on a California to U.S. population ratio of 12%, the safe and vaults industry in California is estimated to be \$60 million ( $12\% \times \$500 \text{ million} = \$60 \text{ million}$ ).

As stated previously, the exemption is limited to the period January 1, 2017 to January 1, 2018. Based on the above, staff estimates state sales and use tax loss of \$3.6 million ( $6\% \times \$60 \text{ million} = \$3.6 \text{ million}$ ).

**Revenue Summary.** The proposed one-year partial (6%) sales and use tax exemption on gun safes would result in an estimated state sales and use tax loss of \$3.6 million.

**Qualifying Remarks.** The proposed exemption applies to gun safes priced at \$1000 or less. Staff assumes that the industry data mostly includes freestanding safes typically purchased by households and businesses. These safes are likely differentiated on the basis of size. Internet research shows a broad spectrum of safes being sold at retail priced under \$1000. Staff assumes that most of the safes included in the above industry number are safes that sell at \$1000 or less.

This revenue estimate does not account for any changes in economic activity that may or may not result from enactment of the proposed law.