



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 364 (Substitute S-1 as passed by the Senate)
Senate Bill 365 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Tonya Schuitmaker
Committee: Finance

Date Completed: 9-21-15

RATIONALE

Every year, people are unintentionally killed by firearms. Some of the victims are children who find their parents' firearms and accidentally fire them. It is likely that some of these deaths could be prevented if the firearms were secured in a gun safe or with trigger locks to prevent them from being fired. Some believe that more people would purchase firearm safety devices if they were exempt from the sales and use taxes. Reportedly, the states of Connecticut, Massachusetts, New Jersey, and Washington already have similar exemptions. To promote firearm safety, it has been suggested that Michigan also should exempt these kinds of devices from the sales and use taxes.

CONTENT

Senate Bills 364 (S-1) and 365 (S-2) would amend the General Sales Tax Act and the Use Tax Act, respectively, to provide tax exemptions for firearm safety devices, and require retail sellers to notify purchasers about the exemptions.

The bills would define "firearm safety devices" as safes, lock boxes, trigger and barrel locks, and other items designed to enhance home firearm safety.

Both exemptions would be repealed effective January 1, 2018.

The bills would take effect 90 days after being enacted.

Senate Bill 364 (S-1)

The bill would exempt the sale of firearm safety devices from the sales tax.

The bill would require a seller, upon the retail sale or transfer of a firearm, to provide a written notice to the purchaser, as well as post a written notice at all points of sale on the premises where firearms were sold, that stated that the State of Michigan exempted firearm safety devices from the sales and use tax through December 31, 2017.

Senate Bill 365 (S-2)

The bill provides that the use tax would not apply to the storage, use, or consumption of firearm safety devices.

The bill contains the same notice requirements as proposed by Senate Bill 364 (S-1).

Proposed MCL 205.54ee (S.B. 364)
Proposed MCL 205.94cc (S.B. 365)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The State should be doing all it can to promote gun safety. Exempting firearm safety devices from the sales and use taxes would make them more affordable, which could lead to an increase in the purchase and use of the devices. This, in turn, could lead to fewer accidental shootings and fewer firearms being stolen and later used in crimes. Also, removing the tax exemptions beginning January 1, 2018, could encourage people to buy these safety devices before the tax break expired.

Response: The sales and use tax rate is only 6%, so the exemptions likely would not provide enough of an incentive to influence a person's decision to buy a firearm safety device. Since the average price of a trigger lock is reportedly around \$10, the tax break in that case would be \$0.60. According to Committee testimony, tax breaks at that level are not great enough to change behavior.

Opposing Argument

The proposed tax exemptions would reduce the amount of money going to the School Aid Fund. While each exemption has only a relatively small impact on school funding, when all exemptions are combined, the loss is much larger. During the last legislative session, new laws reportedly enacted an estimated \$160.0 million in total cuts to the School Aid Fund, and this session Senate committees have reported bills that would result in an estimated \$82.0 million in reductions to property taxes and School Aid Fund revenue.

Opposing Argument

Many products other than trigger locks, gun safes, and similar devices can prevent injuries and save lives but are not exempt from the sales or use tax. These include, for example, smoke detectors, car seats, bike helmets, and life vests. Rather than singling out a narrow category of devices for a tax break, and using tax laws to effect public policy, the State should take steps to educate gun owners and buyers about proper firearm storage and the need to use safety devices.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would reduce State and local unit revenue by an unknown amount depending upon how broadly the definition of "firearm safety devices" would be interpreted and the relative impact of the exemption between the sales and use taxes. According to the Department of Treasury, a broad interpretation of the definition could reduce sales and use tax revenue by approximately \$1.0 million per year. Approximately 73% of sales tax revenue is constitutionally earmarked to the School Aid Fund, 10% is constitutionally earmarked to local revenue sharing, and the remainder is deposited into the General Fund. Of the State's share of use tax revenue (after the local use tax enacted as personal property tax reform), revenue at a rate of 2% is constitutionally directed to the School Aid Fund, while the General Fund receives any remaining State use tax revenue.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.