



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

July 24, 2023

Honorable Michelle Au  
State Representative  
611G Coverdell Legislative Office Building  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill (LC 43 2879)

Dear Representative Au:

The bill would create a state income tax credit for eligible purchases of safe firearm storage devices from federally licensed firearms dealers. The maximum credit per taxpayer is \$300 per year, and the total annual cap of all credits is \$5 million. The credits are nonrefundable and cannot be carried forward. The credit would be eligible for purchases made on or after January 1, 2025.

### Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue by the amounts shown in Table 1. The appendix provides details of the analysis.

**Table 1. Estimated State Revenue Effects of LC 43 2879**

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
State Revenue Effect	-	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)

### Impact on State Expenditures

The Department of Revenue (DOR) would incur additional costs as a result of the bill. An additional tax examiner would be needed at an annual cost of approximately \$78,000. One time costs for equipment would be \$2,500. In addition, DOR estimates that changes to its information systems would require approximately 14 weeks, equating to approximately \$141,000 in existing staff time.

Respectfully,

Greg S. Griffin  
State Auditor

Richard Dunn, Director  
Office of Planning and Budget

GSG/RD/mt

### **Analysis by the Fiscal Research Center**

The subject bill proposes to establish a state income tax credit for eligible purchases of firearm safety devices from a federally licensed firearms dealer on or after January 1, 2025. Taxpayers will be allowed a credit against the state income tax in the amount of the eligible purchase(s) or \$300 per year, whichever is less. To receive the credit, the taxpayer must submit receipts for all eligible purchases with their income tax return. No taxpayer may claim this credit more than once per taxable year. Credits allowed may not exceed the taxpayer's tax liability for the year and any unutilized credits may not be carried forward to succeeding years. The annual aggregate amount of these credits will be capped at \$5 million, allowed on a first-come, first-served basis.

Eligible firearm safety devices, as defined in the bill, include "a safe, gun safe, gun case, lockbox, or other device designed to securely store a firearm and which may only be unlocked by means of a key, a combination, or other similar means." These items are sold through multiple channels, including home improvement, general merchandise, online and other retailers that are not license gun dealers as well as gun shops and sporting goods retailers that are licensed. Product prices range from as low as about \$20 for a lockbox capable of holding a handgun to several thousand dollars for a gun safe capable of holding 40 or more rifles and handguns.

Based on data from business research firm IBISWorld, we estimate that the U.S. market for home and gun safes amounts to approximately \$2.18 billion in 2023. The industry is projected to grow, on average, by 1.92% annually through 2028. National sales estimates are shared down to Georgia using the state's share of federally registered firearms as reported by the Bureau of Alcohol, Tobacco, and Firearms (ATF), approximately 4.1 percent as of 2021, resulting in estimated annual sales in Georgia of approximately \$40.2 million for 2023.

Separate data were not found for the size of the market for lockable gun cases. Nor was it possible to estimate the shares of eligible items that are sold through licensed firearms dealers versus other retail channels, though it is likely that enacting this credit would shift sales from the latter to the former as the credit gives licensed dealers a price advantage of as much as \$300 on eligible products. Licensed dealers could also materially raise their prices while still maintaining a price advantage, while the lower, and for some products zero, after-tax price of these goods should also be expected to increase unit sales. Regardless, at a total sales volume of \$40.2 million, only about 1/8 of this amount need be sold through licensed dealers at prices of \$300 or less to reach the \$5 million annual aggregate cap.

According to the U.S. Census Bureau, there were approximately 3.9 million households in Georgia as of 2021. Studies from the Pew Research Center and the RAND Corporation report estimates of the gun-owning share of Georgia households at about 38 and 49 percent, respectively, or about 1.5 to 1.9 million households. Assuming a plausible average credit amount of \$250, only about 1.0 to 1.4 percent of gun-owning households making eligible purchases would be required to reach the \$5 million cap.

Given the market size in terms of the number of gun-owning households and estimated annual sales of eligible products in the state, it is to be expected that claims for the proposed credit will exceed the \$5 million cap from the first year the credit is available. Assuming credits allowed will impact tax collections only at the time of filing of returns, state revenues are projected to be reduced by \$5 million per year beginning with the filing of TY 2025 returns in FY 2026.