



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 8, 2024

Honorable Jason Anavitarte
State Senator
421 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
Senate Bill (LC 43 2929)

Dear Senator Anavitarte:

This bill would create an annual 11-day sales tax exemption for purchases of firearms, ammunition, gun safes, and related accessories. The exemption lasts from the second Friday through the fourth Monday of October and is intended to cover all firearm-related items. This legislation is assumed to become effective July 1, 2024, the first day of FY 2025.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue as shown in Table 1. The low estimate assumes that sales are evenly distributed through the year and the sales tax holiday does not impact the timing of purchases. The high estimate assumes that purchases are higher during the 11-day period. The appendix provides details of the analysis.

Table 1. Estimated Exempt Sales and State and Local Revenue Effects from LC 43 2929

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Low Estimate					
State	(\$1.31)	(\$1.33)	(\$1.34)	(\$1.35)	(\$1.36)
Local	(\$1.10)	(\$1.12)	(\$1.13)	(\$1.13)	(\$1.14)
High Estimate					
State	(\$3.27)	(\$3.32)	(\$3.35)	(\$3.36)	(\$3.39)
Local	(\$2.73)	(\$2.78)	(\$2.80)	(\$2.81)	(\$2.84)

Impact on State Expenditures

The Department of Revenue (DOR) would be able to implement the provisions of the bill without additional funding.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Based on data from the business research firm IBISWorld, we estimate that retail sales of firearms, ammunition, and related items at gun and ammunition stores or sporting goods stores totaled \$25.9 billion nationally in 2023. Gun and ammunition stores sell handguns, ammunition, rifles, shotguns, and other firearms—as well as other equipment, apparel, and supplies. All of these items are assumed to be exempted during the proposed sales tax holiday. Sales of firearms and hunting goods represent 13.5 percent of sales at sporting goods stores. Half of these purchases are assumed to be firearms, ammunition, gun safes, or other firearm-related items.

These sales are projected to grow on average by 1.16 percent annually through 2029. Georgia’s sales are estimated by sharing down national sales of federally registered firearms, as reported by the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF)—approximately 4.1 percent as of 2021, resulting in estimated annual sales in Georgia of approximately \$1.06 billion for 2023.

Beginning with the estimated 2023 sales in Georgia, we grow this amount by 1.16 percent on average through 2029 based on the IBISWorld industry revenue projections. These projections expect stronger growth initially, slowing to .9 percent, on average between FY 2025–29. Eleven days represent 3.01 percent of a calendar year. The low estimates assume consumers do not respond to the existence of the sales tax holiday. Alternatively, consumers may purchase sooner or later than planned to take advantage of the exemption. They may also increase their amount of spending because the end-price of these items is lower when exempted from the tax.

Based on FBI national monthly firearm background check data, November and December have larger shares of annual activity than October, which is lower than average, indicating holiday spending could increase sales. Based on these data, the portion of annual activity that would occur during these dates would increase to 7.5 percent if a portion of the holiday activity shifted to these days in October. Therefore, the high estimates assume that as the percent of annual sales that are exempted by the proposed sales tax holiday.

For the local impact, the average local sales tax rate is assumed to be 3.35 percent, based on the Tax Foundation’s current average local effective tax rate for Georgia. Due to the fall timing, the exempted purchases of a calendar year impact the following fiscal year’s revenues.

Table 2. Estimated Sales Firearms, Ammunition, Gun Safes, and Related Items

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Georgia Total Sales	\$1,088.5	\$1,105.5	\$1,115.3	\$1,120.1	\$1,130.0
Sales Tax Holiday Purchases					
Low	\$32.8	\$33.3	\$33.6	\$33.7	\$34.0
High	\$65.5	\$66.6	\$67.1	\$67.4	\$68.0