

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2277 - SB 2193

February 28, 2024

SUMMARY OF BILL: Prohibits sales of firearms to persons under 21 years of age. Creates a Class A misdemeanor offense to sell or offer to sell a firearm to a person knowing that the person is under 21 years of age.

FISCAL IMPACT:

Decrease State Revenue –

Net Impact – \$339,000/FY24-25 and Subsequent Years

Decrease Local Revenue –

Net Impact – \$138,400/FY24-25 and Subsequent Years

Assumptions:

- It is assumed that federally-licensed firearm dealers will comply with the age requirements for selling. There is not expected to be a significant increase in Class A misdemeanor convictions for violations of selling firearms to persons under 21 years of age. Likewise, it is assumed that any convictions from such sales that occur through private transactions are estimated to be not significant.
- Any increase in local expenditures related to incarceration or fines from the offense are estimated to be not significant.
- It is assumed that raising the legal age to purchase a firearm to 21 will result in a decrease in firearm sales and thus an associated decrease in state and local sales tax revenue.
- Based on information provided by the Department of Revenue, a review of firearms industry data, and background check data published by the Federal Bureau of Investigation, the number of firearms legally sold in Tennessee is estimated to be 430,668 per year.
- According to the 2021 *American Community Survey* performed by the United States Census Bureau, the population aged 18-24 in Tennessee in 2021 was estimated to be 623,070. It is assumed that persons aged 18-20 comprise 43 percent of that total.
- Therefore, it is estimated that 267,920 people (623,070 people x 43%) aged 18-20 would be ineligible to purchase a firearm under the proposed legislation.
- According to the same data, the total population aged 18 years and over is 5,437,603.
- The percentage of the Tennessee population that is estimated to be ineligible to purchase a firearm under the proposed legislation is 4.9 percent (267,920 aged 18-20 / 5,437,603).

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- For the purposes of this analysis, it is assumed that all age groups are equally likely to purchase a firearm.
- Therefore, the proposed legislation is assumed to result in a decrease in annual firearm sales by an estimated 21,103 firearms (430,668 firearms x 4.9%).
- The average price for a firearm is assumed to be \$250.
- The total taxable sales loss is therefore estimated to be \$5,275,750 (21,103 firearms x \$250) in FY24-25 and subsequent years.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring decrease in state sales tax revenue is estimated to be \$355,945 $[(\$5,275,750 \times 7\%) - (\$5,275,750 \times 7\% \times 3.617\%)]$ in FY24-25 and subsequent years.
- The recurring decrease in local sales tax revenue is estimated to be \$145,252 $[(\$5,275,750 \times 2.5\%) + (\$5,275,750 \times 7\% \times 3.617\%)]$ in FY24-25 and subsequent years.
- Fifty percent of tax savings, or \$250,599 $[(\$355,945 + \$145,252) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$16,908 $[(\$250,599 \times 7\%) - (\$250,599 \times 7\% \times 3.617\%)]$ in FY24-25 and subsequent years.
- The recurring increase in local sales tax collections is estimated to be \$6,899 $[(\$250,599 \times 2.5\%) + (\$250,599 \times 7\% \times 3.617\%)]$ in FY24-25 and subsequent years.
- The net recurring decrease in state revenue as a result of the proposed legislation is estimated to be \$339,037 $(\$355,945 - \$16,908)$ in FY24-25 and subsequent years.
- The net recurring decrease in local revenue as a result of the proposed legislation is estimated to be \$138,353 $(\$145,252 - \$6,899)$ in FY24-25 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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