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OHIO LEGISLATIVE SERVICE COMMISSION

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Office

H.B. 471
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 471's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Rep. Cutrona

Local Impact Statement Procedure Required: Yes

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Highlights

Fund	FY 2022	FY 2023	Future Years
State General Revenue Fund			
Revenues	Potential loss	Loss between \$28.0 million and \$38.0 million	Loss between \$28.0 million and \$38.0 million per year
Local Government and Public Library funds (counties, municipalities, townships, and public libraries)			
Revenues	Potential loss	Loss between \$1.0 million and \$1.3 million	Loss between \$1.0 million and \$1.3 million per year
Counties and transit authorities			
Revenues	Potential loss	Loss between \$7.2 million and \$9.8 million	Loss between \$7.2 million and \$9.8 million per year

Note: The state or school district fiscal year runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- Authorizing a sales and use tax exemption for sales of certain firearms and ammunition would reduce state sales tax revenue and revenue from permissive county and transit authority sales taxes. Those local taxes share the state's sales tax base.
- During the FY 2022-FY 2023 biennium, under the main operating budget act, the state sales tax revenue loss would be shared by the General Revenue Fund (GRF, 96.64%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.70%); starting

in FY 2024, the PLF share would be 1.66% under current law. Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas and decisions by county budget commissions.

Detailed Analysis

The bill exempts from the sales and use tax sales of certain personal firearms and ammunition purchased on or after the first day of the first month that begins after the bill's 90-day effective date. As described in the bill, any portable non-shotgun firearm that is 50 caliber or smaller qualifies for the exemption, as does any shotgun that is ten gauge or smaller. Ammunition is exempt if it is designed for use in any of the qualified firearms.

The sales tax exemption would, on an annual basis, reduce state sales and use tax revenue by between \$29.0 million and \$39.3 million. GRF tax revenue is distributed to the Local Government Fund (LGF) and the Public Library Fund (PLF), 1.66% to each fund under codified law, while the GRF retains 96.68%. A provision in H.B. 110 (the current main operating budget act) increases the PLF share to 1.70% during the current biennium. Thus, the combined loss from the bill to these two local funds would total between \$1.0 million and \$1.3 million in FY 2023 and the GRF loss would be between \$28.0 million and \$38.0 million in FY 2023.

Permissive county and transit authorities' sales taxes share the state sales tax base. Accordingly, the sales tax exemption would also reduce revenue from those local sales taxes. At about 25% of statewide sales tax revenue, the bill potentially reduces permissive county and transit authorities' sales taxes by between \$7.2 million and \$9.8 million in FY 2023. For the state and local governments, potential revenue losses in FY 2022 would be less than the annual estimate and would depend on the effective date of the bill.

Estimation

The estimates are primarily based on estimated nationwide retail sales at gun stores of \$15 billion in 2021.¹ Guns and ammunition subject to the sales tax exemption are also sold at retail establishments other than gun stores. Using product lines statistics of the retail industry from the Economic Census from the U.S. Census Bureau, receipts from sales of firearms and ammunition at all retail stores that carry those products might total about \$18 billion. The Ohio estimate was obtained by multiplying national retail sales by the estimated percent of national sales made in Ohio from two different data sources. State-level gun sales estimates for the lower bound are derived from the percentage of federally registered weapons located in Ohio by the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives, while state-level gun sales estimates for the upper bound were compiled by commercial security data provider [Security.org](https://www.security.org).

Multiplying nationwide store sales by 2.8%² and 3.8%³ results in estimated sales in Ohio of roughly \$504 million and \$684 million, respectively. Applying the state sales tax rate of 5.75% to those amounts yields a potential annual revenue loss from the bill between \$29.0 million and \$39.3 million in FY 2023.

¹ <https://www.ibisworld.com/industry-statistics/market-size/gun-ammunition-stores-united-states/>.

² <https://www.atf.gov/file/149886/download>.

³ <https://www.security.org/resources/gun-ownership-statistics/>.

Due to lack of data, no adjustment was made for limitations in the bill regarding firearm caliber and shotgun gauge. Thus, to the extent sales of nonqualified firearms and shotguns are substantial, this fiscal note may overestimate revenue losses from the bill. Also, note that for any particular year, the actual revenue loss from the bill may be different than estimated above, as weapon and ammunition sales fall and rise with demand.