

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

1. **Patron** Alfonso H. Lopez

2. **Bill Number** HB 2558

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax; Additional tax on firearms and ammunition

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would levy an additional \$5 sales tax on each firearm sold and a one cent sales tax on each round of firearm ammunition sold by firearm sellers that would be administered similarly to the current sales and use tax. The bill provides an exemption for any firearm or ammunition sold to a state or local agency or a law-enforcement officer for use in the normal course of employment. The revenues generated would be split equally between localities for public school safety and gun violence prevention, in proportion to the amount of revenues derived under the bill, and the Virginia Gun Violence Intervention and Prevention Fund.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

6. Budget amendment necessary: Yes.

Items 258 and 260, Department of Taxation

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024-25	\$9,960	0	GF
2025-26	\$817,061	1	GF
2026-27	\$111,996	1	GF
2027-28	\$114,486	1	GF
2028-29	\$116,975	1	GF
2029-30	\$119,588	1	GF
2030-31	\$122,327	1	GF

8. Fiscal implications:

Administrative Costs

Due to the system and form changes required by this bill and the resources already committed to implementing legislation enacted in prior General Assembly sessions, the

Department would be unable to implement this legislation until at least one year after the effective date of this bill. As a result, the Department requests a delayed effective date of July 1, 2026. The administrative costs reflected above on Line 7a assume a delayed July 1, 2026 effective date. See also Line 10. The above estimate includes the costs associated with form updates, system updates, and added compliance costs.

Revenue Impact

The bill would result in an unknown gain for both local and non-General Funds beginning in FY 2027 assuming the amendment for a delayed effective date is adopted (see Line 10).

Based upon data regarding firearm sales and federal firearm licenses (“FFLs”) in Virginia and ratioing national data regarding ammunition sales, this bill could result in a revenue gain ranging from \$6.02 million to \$6.37 million in FY 2026 to \$8.06 million and \$8.53 million in FY 2031, with each fund gaining one-half of the revenues. However, this estimate should be considered speculative, as it does not account for sales to state or local agencies or law enforcement officers that would be exempt from the tax proposed by this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

As currently drafted, this bill would become effective July 1, 2025. Because of the form and systems updates that this bill would require, the Department would not be able to implement the proposed changes until July 1, 2026. As such, the Department recommends the following amendments:

Line 27, after 1.
Strike: Beginning July 1, 2025

Line 30, 2.
Stike: Beginning July 1, 2025

Line 51, end of line
Insert: 2. That the provisions of this act shall become effective July 1, 2026.

In addition, the Department requests an amendment to provide the authority to issue guidelines dictating how this bill would be implemented:

Line 51, end of line
Insert: 3. The Department of Taxation shall develop guidelines implementing the provisions of this act. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

11. Other comments:

Virginia Sales and Use Tax; application to firearms and Ammunition

Virginia imposes a sales and use tax on the gross sales price of the sale or consumption of tangible personal property. Gross sales price does not include any deduction unless the Code of Virginia specifically provides for it. For most locations, the rate of tax is 5.3% of the price of the item. Generally, legal liability for the tax lies on the purchaser in a taxable transaction. However, the Code of Virginia mandates sellers, under certain criteria, to collect and remit the tax to the Department. Sellers generally receive a percentage of the remitted tax, called a dealer discount, as compensation for collection.

The Code of Virginia provides for numerous exemptions from the sales and use tax. For example, tangible personal property purchased for later resale is exempt, and tangible personal property purchased by the Commonwealth, a political subdivision of the Commonwealth, or the federal government is also exempt.

Under current law, the sale or consumption of firearms and ammunition is generally taxed under the sales and use tax, unless a provision would otherwise exempt the transaction.

Proposal

This bill would levy an additional \$5 sales tax on each firearm sold and a one cent sales tax on each round of firearm ammunition sold (herein the "firearms tax") by firearm sellers. A firearm is defined to include any handgun, shotgun, rifle, or other firearm designed, or may readily be converted, to explode a combustible material to expel single or multiple projectiles. Firearm ammunition is defined as ammunition or cartridge cases, primers, bullets, propellant powder, or other projectiles designed for use in any firearm. A firearm seller is defined to include federally licensed firearm dealers, sellers at firearms shows, and any other person who sells firearms or firearm ammunition.

The firearms tax would be in addition to the general sales and use tax. However, the firearms tax would only apply to the sale of firearms and ammunition within the Commonwealth and not the consumption of firearms and ammunition. The revenues generated would be split equally between localities for public school safety and gun violence prevention, in proportion to the amount of revenues derived under the bill, and the Virginia Gun Violence Intervention and Prevention Fund.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

cc : Secretary of Finance

Date: 01/26/2025 AO
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