

Individual State Agency Fiscal Note

Bill Number: HB 1386	Bill Title: AN ACT Relating to imposing a new tax on firearms, firearm parts, and ammunition	Agency: 140 Department of Revenue
Part I: Estimates [] No Fiscal Impact		

Estimated Cash Receipts to:

Fund	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
GF-State NEW	6,600,000	16,300,000	22,900,000	33,500,000	35,000,000
Total	6,600,000	16,300,000	22,900,000	33,500,000	35,000,000

Estimated Expenditures from:

Fund	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
FTE Staff Years	2.16	.9	1.53	.4	.4
GF-State 001	362,300	99,200	461,500	72,000	72,000
Total	362,300	99,200	461,500	72,000	72,000

The revenue and expenditures estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	TRACEY TAYLOR	Phone:	360-786-7196	Date:	1/17/2025
Agency Preparation:	Taylor Culp	Phone:	(360) 534-1511	Date:	1/17/2025
Agency Approval	Valerie Torres	Phone:	(360) 534-1521	Date:	1/18/2025
OFM Review:		Phone:		Date:	

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

CURRENT LAW:

Retail sales and use taxes apply to sales of firearms, firearm parts, and ammunition in Washington.

Seattle has an additional tax on ammunition per round based on caliber as follows:

- 2 cents per round for ammunition measuring 22 caliber or less.
- 5 cents per round for all other ammunition.

PROPOSAL:

This bill adds an 11% tax on the sale of firearms, firearm parts, and ammunition. The tax is in addition to any tax imposed by federal, state, or local governments.

The new tax does not apply to sales made to federal, state, local, or tribal governments to supply law enforcement or the military with these items.

All revenue from this tax must fund agencies and programs that focus on gun violence prevention, including domestic violence prevention, suicide prevention programs, and victim services.

Ammunition means any projectiles with fuses, propelling charges, or primers designed to be fired from firearms. Ammunition includes any shotgun shell and any rifle, pistol, or revolver cartridge.

Firearm means a weapon or device from which a projectile or projectiles may be fired by an explosive such as gunpowder. Firearm also includes frames and receivers. Firearm excludes a flare gun or other pyrotechnic visual distress signaling device, or a powder-actuated tool or other device designed solely for use in construction.

Law enforcement agencies include any:

- General authority Washington law enforcement agency.
- Limited authority Washington law enforcement agency.
- State or local agency providing or otherwise responsible for the custody, safety, and security of adults or juveniles incarcerated in correctional, jail, or detention facilities.

Law enforcement agency excludes the National Guard, State Guard, or any division of the United States Armed Forces.

EFFECTIVE DATE:

The bill takes effect January 1, 2026.

II. B - Revenue Impact

ASSUMPTIONS

- Online purchases of firearms and parts require delivery to a Washington-licensed dealer for pick-up. Those same restrictions do not apply to the sales of ammunition.
- In-store sales of ammunition represent 47% of total ammunition sales.
- This bill exempts law enforcement and military agencies from the new tax.
- Law enforcement and military agencies account for 50% of all ammunition purchases.
- The General Fund receives these taxes, and the Legislature appropriates the revenue to agencies and programs focused on suicide prevention and reducing firearm-related domestic violence.
- This proposal takes effect January 1, 2026, and impacts 5 months of collections in fiscal year 2026.

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DATA SOURCES

- U.S. Department of Justice Bureau of Alcohol, Tobacco, Firearms and Explosives, 2024 Report on Active Firearms Licensees
- National Shooting Sports Foundation, Industry Intelligence Report - Firearms Production in the United States
- National Shooting Sports Foundation, Fast Facts - Federal Restrictions on the Purchase and Sale of Ammunition
- Bureau of Justice Statistics, Census of State and Local Law Enforcement Agencies, 2018
- IBISWorld - Guns & Ammunition Manufacturing in the US - Market Size (2003-2029), June 17, 2024
- Grand View Research - U.S. Ammunition Market Size & Trends, Industry Report 2030

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$6.6 million in the five months of impacted collections in fiscal year 2026, and by \$16.3 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 6,600
FY 2027 -	\$ 16,300
FY 2028 -	\$ 16,600
FY 2029 -	\$ 16,900
FY 2030 -	\$ 17,300
FY 2031 -	\$ 17,700

Local Government (cash basis, \$000): None

II. C - Expenditure Impact

ASSUMPTIONS:

This estimate affects 3,100 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$347,700 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 2.06 FTEs.
- Set up, program, and test computer system changes.
 - Amend two existing administrative rules and adopt one new administrative rule.
 - Create a special notice and update relevant information on the department’s website.
 - Review and adjust accounting reports.
 - Accounting activities for the new tax; compiling receivable information for statewide financial statements and stakeholders.
 - Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for reviewing a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$81,900.

- Computer system changes, including contract programming.

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- Printing and postage for notifications mailed to paper filers.

SECOND YEAR COSTS:

The department will incur total costs of \$85,000 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.8 FTE.

- Continued computer system testing, monitoring, and maintenance.
- Review and adjust accounting reports.
- Accounting activities for the new tax; compiling receivable information for statewide financial statements and stakeholders.
- Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$72,000 and include similar activities described in the second-year costs. Time and effort equate to 0.4 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose:

	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
Salaries and Wages	176,400	62,100	238,500	43,800	43,800
Benefits	63,700	22,400	86,100	15,800	15,800
Personal Service Contracts	81,700		81,700		
Supplies & Material	32,000	12,700	44,700	10,800	10,800
Office Equipment	8,500	2,000	10,500	1,600	1,600
Total	362,300	99,200	461,500	72,000	72,000

III. B - FTE Detail:

Job Classification	Salary	FY 2026 FTEs	FY 2027 FTEs	2025 - 2027 Total	2027 - 2029	2029 - 2031
EMS BAND 4	135,635	.01		.01		
EMS BAND 5	158,451	.01		.01		
EXCISE TAX EX 2	59,844	.1	.2	.15	.1	.1
EXCISE TAX EX 3	66,012	.1	.1	.1		
FISCAL ANALYST 4	67,716	.1	.1	.1	.1	.1
FORMS AND RECORDS ANALYST 1	43,716	.1	.1	.1	.1	.1
IT B A-JOURNEY	94,728	.4	.1	.25		
IT QA-SR/SPEC	104,412	.1		.05		
IT SYS ADM-JOURNEY	99,444	.2		.1		
MGMT ANALYST4	78,468	.02		.01		
TAX INFO SPEC 1	47,988	.2	.1	.15	.1	.1
TAX POLICY SP 2	80,460	.13		.07		
TAX POLICY SP 3	91,068	.65	.2	.43		
TAX POLICY SP 4	98,040	.02		.01		
WMS BAND 2	101,410	.01		.01		
WMS BAND 3	115,352	.01		.01		
Total		2.16	.9	1.56	.4	.4

III. C - Expenditures by Program (optional):

	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
Total					

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-195, titled: "Taxes, deductibility", and WAC 458-20-217, titled: "Lien on taxes", and the standard process to adopt one new rule in chapter 458-20 WAC. This rulemaking would affect buyers and sellers of firearms, firearm parts, and ammunition.

Revenue Impact Detail

FUND	SOURCE	CODE	First Biennium		Second Biennium		Third Biennium	
			1st YEAR	2nd YEAR	3rd YEAR	4th YEAR	5th YEAR	6th YEAR
GF-State	NEW	0000	6,600,000	16,300,000	16,600,000	16,900,000	17,300,000	17,700,000
Total			6,600,000	16,300,000	16,600,000	16,900,000	17,300,000	17,700,000
OTHER								
Total								
Net			6,600,000	16,300,000	16,600,000	16,900,000	17,300,000	17,700,000

Revenue Impact - by Biennium

FUND	SOURCE	CODE	1st Biennium	2nd Biennium	3rd Biennium
GF-State	NEW	0000	22,900,000	33,500,000	35,000,000
Total			22,900,000	33,500,000	35,000,000
OTHER					
Total					
Net			22,900,000	33,500,000	35,000,000