

HB24-1349

# Firearms & Ammunition Excise Tax

Concerning a new excise tax related to firearms, and, in connection therewith, contingent on voter approval of the new tax and the retention by the state of all revenue generated by the new tax at the 2024 general election, levying an excise tax on the net taxable sales of gun dealers, gun manufacturers, and ammunition vendors from the retail sale in this state of any firearm, firearm precursor part, or ammunition, requiring the excise tax revenue to be spent for mental health services, including for military veterans and at-risk youth, school safety and gun violence prevention, and support services for victims of domestic violence and other violent crimes, and making an appropriation.

SESSION:

2024 Regular Session

SUBJECT:

Fiscal Policy & Taxes

BILL SUMMARY

The act refers a ballot issue to the voters at the November 2024 general election for approval of a 6.5% excise tax on the net taxable sales of firearm dealers, firearms manufacturers, and ammunition vendors (vendors) from the retail sale of any firearm, firearm precursor part, or ammunition in Colorado. The ballot issue allows the state to keep and spend all new excise tax revenue, as a voter-approved revenue change, and specifies that the revenue, estimated at \$39 million in the first fiscal year, will be used to fund mental health services, including for military veterans and at-risk youth, school safety and gun violence prevention, and support services for victims of domestic violence and other violent crimes. If voters approve the ballot issue, then the state will have the authority to impose the excise tax and the rest of the act will become effective, except that the extension of the school security disbursement program cash fund, like the provision requiring submission of the ballot issue, is effective upon passage of the act.

Beginning on April 1, 2025, the act requires every vendor to file a return and remit the excise tax due on the vendor's net taxable sales of firearms, firearm precursor parts, or ammunition in the state on a monthly basis, except that a vendor making \$20,000 or less in such retail sales in a previous calendar year is not required to pay the tax unless and until the vendor's retail sales exceed \$20,000 in a calendar year. Sales to peace officers, law enforcement agencies, and active duty military personnel are exempt from the tax and, thus, not counted as part of a vendor's net taxable sales subject to the tax.

The act also imposes a registration requirement, making it unlawful for any person to engage in the business of a firearms dealer, firearms manufacturer, or an

ammunition vendor in the state without first having registered as a vendor with the executive director of the department of revenue (executive director) on a form prescribed by the executive director. Making sales of firearms, firearm precursor parts, or ammunition without first registering with the executive director is a petty criminal offense and may also be punished by civil penalties. A vendor must file a separate registration for each of the vendor's places of business in the state, and all registrations must be renewed every 2 years. The executive director may revoke a vendor's registration, after reasonable notice and a hearing, upon a finding that the vendor has violated a provision of the excise tax statutory scheme, including by failing to file a return, remit the proper amount of tax, or preserve or allow inspection of specified books and records. A vendor's false or fraudulent return or statement or willful evasion of the excise tax is punishable by criminal penalties.

All money received and collected in payment of the excise tax will be deposited, first, in the firearms and ammunition excise tax cash fund (fund) created in the act and then transferred as follows:

- The first \$30 million in the first fiscal year and that amount as adjusted for inflation or deflation in each fiscal year thereafter to the Colorado crime victim services fund in the division of criminal justice of the department of public safety for grants to enhance or provide services for crime victims or to support crime prevention;
- The next \$8 million in each fiscal year to the behavioral and mental health cash fund, of which \$5 million must be used by the behavioral health administration (BHA), in coordination with the division of veterans affairs, to continue and expand the veterans mental health services program, while the other \$3 million must be used by the BHA to continue and expand access to behavioral health crisis response system services for children and youth; and
- The next \$1 million in each fiscal year to the school security disbursement program cash fund to fund the school security disbursement program.

Subject to annual appropriation by the general assembly, the department of revenue may expend money from the fund for direct and indirect costs associated with implementing and administering the excise tax. Additionally, on June 30, 2025, and June 30, 2026, the state treasurer shall transfer from the fund to the general fund an amount of money equal to the amount of money used, if any, in the state fiscal years 2024-25 and 2025-26 from the general fund to pay the costs of implementing and administering the excise tax.

The act also makes technical changes to the behavioral and mental health cash fund and related program statutes and to the administration provisions of title 39

regarding the executive director's authority to implement and administer the excise tax.

For the 2024-25 state fiscal year, \$383,027 is appropriated to the department of revenue, of which \$172,827 is reappropriated to the department of law for the purchase of legal services, for the implementation of the act.

**APPROVED** by Governor June 5, 2024

**PORTIONS EFFECTIVE** June 5, 2024

**PORTIONS EFFECTIVE** on the date of the official declaration by the governor

**NOTE:** This act takes effect only if, at the November 2024 statewide election, a majority of voters approve the ballot issue referred in accordance with section 39-37-201, Colorado Revised Statutes, created in section 1 of this act. If the voters approve the ballot issue, then this act takes effect on the date of the official declaration of the vote thereon by the governor; except that section 39-37-201, Colorado Revised Statutes, created in section 1 of this act, and section 24-33.5-1811, Colorado Revised Statutes, amended in section 3 of this act, take effect upon passage.

*(Note: This summary applies to this bill as enacted.)*