

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2026 REGULAR SESSION**

MEASURE

2026 BR NUMBER 1251

HOUSE BILL NUMBER 79

TITLE AN ACT relating to sales and use tax exemptions for firearm-related items.

SPONSOR Representative T.J. Roberts

FISCAL SUMMARY

STATE FISCAL IMPACT: ☒ YES ☐ NO ☐ UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ☐ ACTUARIAL ANALYSIS
☐ LOCAL MANDATE ☐ CORRECTIONS IMPACT ☐ HEALTH BENEFIT MANDATE ☐ STATE
EMPLOYEE HEALTH PLAN IMPACT

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: ☒ GENERAL ☐ ROAD ☐ FEDERAL ☐ RESTRICTED _____

FISCAL ESTIMATES	2025-2026	2026-2027	2027-2028	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(Indeterminable)	(Indeterminable)	(Indeterminable)
EXPENDITURES				
NET EFFECT		(Indeterminable)	(Indeterminable)	(Indeterminable)

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill 79 exempts the following from sales and use tax: ammunition, antique firearms, body armor, firearms, firearm-related accessories, firearm safety courses, firearm safety devices, and firearm storage devices; admissions related to trade sales lasting less than seven days at which firearms are for sales or public indoor or outdoor target practice facilities; and noise cancelling ear protection with a noise reduction rating of 25 decibels or more.

FISCAL EXPLANATION: The Firearms and Ammunition Excise Tax (FAET), created by the Internal Revenue Service in 1919, is currently administered and collected by the Alcohol and Tobacco Tax and Trade Bureau (TTB). As levied by Chapter 32 of the Internal Revenue Code (26 U.S.C. 4181), firearms and ammunition sold by manufacturers, producers, and importers are subject to the FAET. Pistols and revolvers are taxed at a rate of 10 percent, while firearms (other than pistols and revolvers), shells, and cartridges are taxed at a rate of 11 percent. Unlike other taxes collected by the TTB, the revenue from the FEAT is directed to the Fish and Wildlife Restoration Fund.

The National Instant Criminal Background Check System (NICS), established by the Federal Bureau of Investigation (FBI), performs background checks on potential firearm purchasers. The database differentiates background checks between handguns, long guns, and “other” firearms. The “other” category refers to frames, receivers, and other firearms that are neither handguns nor long guns (rifles or shotguns), such as firearms having a pistol grip that expel a shotgun shell, or National Firearms Act firearms, including silencers. Regarding the exempt items added in HB 79, it is assumed the “other” category includes firearms, firearm mufflers or silencers, and firearm-related accessories.

The seller, or Federal Firearm Licensee, must ensure the potential buyer completes a Firearm Transactions Record, as required by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), then immediately relay the information to NICS. The background check will then verify if the potential customer is eligible to purchase a firearm. It must be noted that firearm background checks and firearms sold do not have a one-to-one correlation. For example, if a customer were to apply for a firearm but fail the background check, the check would appear in the NICS database even though the customer did not purchase a firearm. Additionally, if a customer were to pass the background check and purchase multiple firearms, the NICS database would reflect a single check even though more than one firearm was purchased. Since there is not a one-to-one correlation between background checks and firearm sales, using background check data will result in an incomplete count of firearm purchases in Kentucky in a given year. To the extent that this count is incorrect, an estimated fiscal impact will also necessarily be incomplete.

As published in the Alcohol and Tobacco Tax and Trade Bureau Annual Report, total FAET collections in FY 2024 were approximately \$892.8 million. This represents total FAET collections for all firearms and ammunition purchased in the US subject to the tax. To estimate the total FAET collections in FY 2027, historical FAET collections from 2014 to 2024 were used to forecast future total FAET collections. Therefore, it is estimated US FAET collections will be \$954.5 million in FY 2027 and \$976.0 million in FY 2028. Since staff did not have FAET collections broken out by type of firearm purchase, a blended tax rate of 10.5 percent was used. Using this blended rate, it is estimated that total US sales of firearms and ammunition will be approximately \$9.09 billion in FY 2027 and \$9.29 billion in FY 2028.

To estimate Kentucky’s share of US firearm and ammunition sales in FY 2027 and FY 2028, staff analyzed NICS data at both the Kentucky and national level. To approximate the number of firearms sold at both levels, staff subtracted permit rechecks and returned firearms from the background check total. Using the five-year average growth rate, staff estimate Kentucky will comprise approximately 1.37 percent of US firearm sales in FY 2027 and FY 2028. Please note, actual expenditures in Kentucky may differ to the extent consumer behavior differs from consumer behavior in the US.

The fiscal impact of HB 79 is indeterminable. There is no data available regarding the sale of antique firearms, body armor, firearm safety courses, firearm safety devices, or firearm storage devices. However, using the FY 2027 and FY 2028 national sales derived from FAET collections, it is possible to estimate the sales tax attributable to the sale of firearms and ammunition. It is estimated that Kentucky’s sales of firearms and ammunition will be

approximately \$124.9 million in FY 2027 and \$127.7 million in FY 2028. Thus, this portion of HB 79 is estimated to decrease General Fund collections by approximately \$6.2 million in FY 2027 and \$7.7 million in FY 2028. Because the effective date of HB 79 is August 1, 2026, only ten months of Kentucky sales and use tax collections are realized in FY 2027.

DATA SOURCE(S): Firearms and Ammunition Excise Tax Annual Report, National Instant Criminal Background Check System, LRC Economists

PREPARER: Jonathan Roenker NOTE NUMBER: 41 REVIEW: JMR DATE: 1/16/2026