



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, Second Regular Session*

**AMENDED**  
FACT SHEET FOR H.B. 2166

TPT; use tax; exemption; firearms

Purpose

Effective January 1, 2023, exempts the gross proceeds of retail resales or gross income derived from retail resales of firearms, ammunition and firearm safety equipment from the retail classification of transaction privilege tax (TPT) and use tax.

Background

All gross receipts are subject to tax under 1 of the 16 classifications of TPT, unless specifically exempted or excluded by statute. Statute exempts the gross proceeds of sales or gross income derived from sales of certain tangible personal property from the retail classification of TPT and use tax ([A.R.S. Title 42, Chapter 5, Articles 2 and 4](#)). The sale of firearms and ammunition by a manufacturer, producer, or importer are also subject to a federal excise tax in the amount of 10 percent on the sale of pistols and revolvers and 11 percent on the sale of ammunition and firearms other than pistols or revolvers ([26 U.S.C. § 4181](#)).

The Joint Legislative Budget Committee fiscal note estimates a state General Fund revenue reduction of \$3.9 million in FY 2023 and \$9.4 million in FY 2024. The Arizona Department of Revenue (ADOR) estimates that the firearm and ammunition TPT exemption would result in a state General Fund reduction of \$34.7 million in FY 2023, \$36.6 million in FY 2024 and \$38.7 million in FY 2025. ADOR's FY 2023 estimate assumes that the exemption would be effective for all of FY 2023. H.B. 2166 becomes effective January 1, 2023, which limits the FY 2023 impact to only the second half of the fiscal year. ADOR has not to date provided the details with respect to the methodological assumptions used to derive the estimate ([JLBC fiscal note](#))

Provisions

1. Exempts, from the retail classification of TPT and use tax, the gross proceeds of retail resales or gross income derived from retail resales of firearms, ammunition and firearm safety equipment.
2. Defines *firearms* as handguns, pistols, revolvers, rifles, shotguns or other weapons that will expel, are designed to expel or may readily be converted to expel a projectile by the action of an explosive.
3. Defines *firearm safety equipment* as all of the following, excluding zip ties, rope and string:
  - a) a device that, when installed on a firearm, is designed to prevent the firearm from being operated without first deactivating the device;

- b) a device incorporated into the design of the firearm that is designed to prevent the operation of the firearm by anyone not having access to the device; and
  - c) a safe, gun safe, gun case, lock box or other device that is designed to be or can be used to store a firearm and that is designed to be unlocked only by means of a key, a combination or other similar means.
4. Contains a technical conditional enactment.
  5. Becomes effective on January 1, 2023, or later, subject to the provisions of the conditional enactment.

Amendments Adopted by Committee

- Narrows the scope of the exemption to retail resales of firearms, ammunition and firearm safety equipment.

House Action

Senate Action

WM	2/16/22	DP	6-4-0-0	FIN	3/16/22	DPA	6-4-0
3 <sup>rd</sup> Read	2/24/22		31-28-1	APPROP	3/29/22	DPA	6-4-0

Prepared by Senate Research

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MG/slp