

Proposition KK: Firearms and Ammunition Excise Tax

Placed on the ballot by the legislature • Passes with a majority vote

1 **Proposition KK, if approved, would:**

- 2 • create a new state tax on firearms sellers equal to 6.5 percent of their sales of
3 firearms, firearm parts, and ammunition, and exempts this money from the state's
4 revenue limit as a voter-approved revenue change; and
- 5 • use the new tax revenue to fund crime victim support services, mental health
6 services for veterans and youth, and school safety programs.

7 **What Your Vote Means**

8 **YES**

9 A "yes" vote on Proposition KK creates a
10 new tax on firearms, firearm parts, and
11 ammunition, and uses the revenue for
12 crime victim services, mental health
13 services for veterans and youth, and
14 school safety programs.

15 **NO**

16 A "no" vote on Proposition KK means the
17 state's taxation of firearms and
18 ammunition will not change.

19 **Summary and Analysis of Proposition KK**

20 **Why is this measure on the ballot?**

21 The Colorado Constitution requires voter approval of new taxes. This measure, referred by
22 the state legislature, asks voters to tax retail sales of firearms, firearm parts, and ammunition.

23 **How are firearms currently taxed?**

24 Since 1919, the federal government has levied an excise tax on retail sales of firearms and
25 ammunition by firearms and ammunition manufacturers and importers. This federal tax is
26 currently 10.0 percent for handguns, and 11.0 percent for all other firearms and all
27 ammunition. This tax applies to retail sales in Colorado. The federal government uses the tax
28 revenue to fund wildlife conservation and hunting programs. In Colorado, retail sales of
29 firearms, firearm parts, and ammunition are also subject to state and local sales taxes that
30 apply to most goods.

31 **What firearm products are subject to the new tax, if approved?**

32 The 6.5 percent tax applies to retail sales of the following by vendors and manufacturers:

- 33 • firearms that are working or that can be made to work;

- 1 • certain firearm parts, components, and accessories, and parts that may be used to
 2 construct a firearm;
- 3 • devices used for manufacturing a firearm; and
- 4 • ammunition and ammunition components.

5 **Who pays the new tax?**

6 Firearm dealers, firearm manufacturers, and ammunition sellers are responsible for paying
 7 the new tax on their retail sales. Sellers with annual sales of less than \$20,000 are exempt
 8 from the tax. Retail sales to law enforcement officers, law enforcement agencies, and active
 9 duty military members are also exempt from the tax. Private sales between individuals who
 10 are not firearm dealers, firearm manufacturers, or ammunition vendors are not subject to the
 11 new tax.

12 **How will the money collected from the new tax be used?**

13 After paying for administrative costs, the taxes collected will fund crime victim support
 14 services grants, veterans mental health services, youth behavioral health services, and school
 15 safety. The amounts of money dedicated to each program will vary depending upon the
 16 actual collections and will be distributed in the amounts and order shown in Table 1.

17 **Table 1**

18 **Distribution of Firearms and Ammunition Tax Revenue**

Program	Maximum Distribution	What Will it Pay For?
Administrative Costs	\$0.2 – \$0.4 million	Costs for the Department of Revenue to administer the tax.
Crime Victim Services	\$30.0 million, adjusted for inflation	Grants to local governments, law enforcement, and nonprofit organizations to provide crime victim services, such as on-site crisis response, counseling, legal advocacy, and emergency financial assistance, among others.
Veterans Mental Health Services	\$5.0 million	Mental health services provided to eligible veterans in state-administered veterans living centers who have exhausted their federal benefits.
Children and Youth Behavioral Health Crisis Response System	\$3.0 million	Crisis-related behavioral health services for children and youth, including but not limited to counseling, referrals, and in-home support.
School Security Disbursement Grant Program	\$1.0 million	Grants to Colorado public schools for security enhancement projects, such as school emergency response training and capital construction that improves the school's safety against threats of physical harm.

1 The measure is expected to generate up to \$39.0 million in the first full year. If revenue is left
 2 over after making the required annual distributions, it will remain available for future use as
 3 determined by the state legislature. If the tax does not generate enough revenue to make
 4 the required distributions in any year, recipient programs may receive less new funding than
 5 shown in Table 1.

6 **How are the programs impacted by the measure currently funded?**

7 Programs funded through the measure currently receive a combination of federal and state
 8 funds. Federal funding for victim services comes from fines paid by people convicted of
 9 federal crimes, and the amount of federal payments to states has declined significantly in
 10 recent years. The state has also spent some temporary COVID-19 relief funds received from
 11 the federal government for public health services, including mental health and victim service
 12 programs. School safety programs have received allocations of state funds in the past.

For information on those issue committees that support or oppose the measures on the ballot at the November 5, 2024, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<https://coloradosos.gov/pubs/elections/Initiatives/InitiativesHome.html>

13 **Arguments For Proposition KK**

- 14 1) Gun violence causes substantial physical, mental, emotional, and financial harm. Taxing
 15 firearm and ammunition sellers is an appropriate way to fund programs that reduce the
 16 negative impacts of gun violence. There is a connection between the prevalence of
 17 firearms in the community and negative outcomes, including homicides, domestic
 18 violence, suicide, and violent crimes, and the associated trauma and mental health harm.
 19 This measure taxes firearms to provide much needed services to address these issues.
- 20 2) Reliable access to victim and mental health services is critical for impacted communities.
 21 Victims of domestic violence, military veterans, and at-risk youth deserve dependable
 22 support to recover from their trauma. Current funding sources for these services are
 23 inconsistent and in some cases disappearing, while demand continues to rise. Without
 24 steady funding, these services may be reduced or eliminated. Proposition KK provides
 25 dedicated money to sustain and expand violence prevention, healing, and recovery
 26 programs.

27 **Arguments Against Proposition KK**

- 28 1) Citizens have a state and federal constitutional right to own firearms. This measure
 29 places an additional burden on the ability of law-abiding Coloradans to exercise this
 30 right. Legal firearm sales should not be taxed to address problems caused by the harmful
 31 or illegal use of firearms, or to fund other state programs addressing public health.
 32 Furthermore, sales to people convicted of certain crimes are already prohibited and will
 33 not contribute financially to solving the harms to society they have caused. If the state
 34 wants to strengthen support for crime victims and persons needing mental health
 35 services, it should prioritize these programs within the state's current resources.

1 2) Firearms are used for many legitimate purposes, including self-defense and personal and
 2 community safety. Placing an additional tax on firearms and ammunition reduces the
 3 ability of people, particularly those with limited financial means, to access these tools.
 4 People seeking to buy firearms may choose to buy them in other states to avoid the new
 5 state tax, hurting Colorado businesses and potentially encouraging illegal purchases of
 6 firearms.

7 **Fiscal Impact of Proposition KK**

8 **State revenue.** Proposition KK increases state revenue from a new tax on firearms and
 9 ammunition. In state budget year 2024-25, about \$9.0 million will be collected on a partial
 10 year basis (April through June 2025). In state budget year 2025-26, the first full year of
 11 collections, up to \$39.0 million will be received. Comparable amounts will be collected in
 12 future years, adjusted for inflation and trends in firearm and ammunition sales. This revenue
 13 is exempt from constitutional spending limits.

14 **State spending.** Proposition KK increases state spending on tax administration and
 15 compliance by about \$400,000 in state budget year 2024-25 and by about \$200,000 in
 16 future budget years. State spending on crime victim and mental health services will increase
 17 by up to \$8.6 million in state budget year 2024-25 and up to \$38.8 million in state budget
 18 year 2025-26, based on available revenue after administrative expenses. Actual expenditures
 19 will vary based on revenue collected, and funds will be distributed subject to availability in
 20 the order listed above.

21 **Taxpayer impacts.** Proposition KK places a 6.5 percent tax on the retail sales of firearms,
 22 firearm parts, and ammunition, paid by firearm and ammunition sellers. The state will collect
 23 up to \$39.0 million in tax revenue based on about \$600.0 million in estimated retail sales of
 24 firearms, firearm parts, and ammunition. The table below presents potential examples of the
 25 tax burden for the retail sale of average-priced firearms and ammunition.

26 **Table 2**
 27 **Tax Due Under Proposition KK for Example Purchases**

	Handgun	Long Gun	Ammunition
Price Example	\$550	\$930	\$20
Proposition KK Tax	6.5%	6.5%	6.5%
Tax Due	\$35.75	\$60.45	\$1.30

28 **State Spending and Tax Increases**

29 Article X, Section 20, of the Colorado Constitution requires that the following fiscal
 30 information be provided when a tax increase question is on the ballot:

- 31 • estimates or actual amounts of state fiscal year spending for the current year and each of
 32 the past four years with the overall percentage and dollar change; and
- 33 • for the first full year of the proposed tax increase, estimates of the maximum dollar
 34 amount of the tax increase and of state fiscal year spending without the increase.

1 "Fiscal year spending" is a legal term in the Colorado Constitution. It equals the amount of
 2 revenue subject to the constitutional spending limit that the state or a district is permitted to
 3 keep and either spend or save for a single year. Table 3 shows state fiscal year spending for
 4 the current year and each of the past four years.

5 **Table 3**
 6 **State Fiscal Year Spending**

	Actual FY 2020-21	Actual FY 2021-22	Actual FY 2022-23	Actual FY 2023-24	Estimated FY 2024-25
Fiscal Year Spending	\$15.64 billion	\$16.01 billion	\$16.66 billion	\$18.07 billion	\$19.12 billion
Four-Year Dollar Change in State Spending: \$3.48 billion					
Four-Year Percent Change in State Spending: 22.2%					

7 Table 4 shows the revenue expected from the new tax on firearms and ammunition in
 8 Proposition KK for FY 2025-26, the first full fiscal year for which the tax increase would be in
 9 place, and an estimate of state fiscal year spending without the tax increase.

10 **Table 4**
 11 **Estimated State Fiscal Year Spending and the Proposed Tax Revenue Increase**
 12 **from the New Tax on Firearms and Ammunition**

	FY 2025-26 Estimate
Fiscal Year Spending Without the Tax Increase	\$22.76 billion
Revenue Increase from the New State Tax on Firearms Sellers	\$39.0 million