

Proposition KK: Firearms and Ammunition Excise Tax

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

1 **Proposition KK proposes amending the Colorado statutes to:**

- 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, veterans mental
6 health services, behavioral health services for 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 based on their 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, expanded access to behavioral health crisis
 15 response system services for children and youth, and school safety. The amounts of money
 16 dedicated to each program will vary depending upon the actual collections and will be
 17 distributed in the amounts and order shown in Table 1.

18 **Table 1**
 19 **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 Crisis Response Services	\$3.0 million	Crisis-related mental 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 in recent years.
 10 The state has also spent some temporary COVID-19 relief funds received from the federal
 11 government for public health services, including mental health and victim service programs.
 12 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 harm. Taxing guns and ammunition is an appropriate
 15 way to fund programs that reduce the negative impacts of guns. There is a connection
 16 between the prevalence of firearms in the community and negative outcomes, including
 17 homicides, domestic violence, suicide, and violent crimes, and the associated trauma and
 18 mental health harm. This measure taxes firearms to provide much needed services to
 19 address these issues.
- 20 2) Reliable access to victim and mental health services is critical for communities harmed by
 21 gun violence. Victims of domestic violence, military veterans, and at-risk youth deserve
 22 dependable support to recover from their trauma. Current funding sources for these
 23 services are inconsistent and in some cases disappearing, while demand continues to
 24 rise. Without steady funding, these services may be reduced or eliminated. Proposition
 25 KK provides dedicated money to sustain and expand gun violence prevention, healing,
 26 and recovery programs.

27 **Arguments Against Proposition KK**

- 28 1) Citizens have a state and federal constitutional right to own guns. This measure places an
 29 additional burden on the ability of law-abiding Coloradans to exercise this right. Legal
 30 gun sales should not be taxed to address problems caused by the harmful or illegal use
 31 of guns, or to fund other state programs addressing public health. If the state wants to
 32 strengthen support for crime victims and persons needing mental health services, it
 33 should prioritize these programs within the state's current resources.

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

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 behavioral health services will
 17 increase by up to \$8.6 million in state budget year 2024-25 and up to \$38.8 million in state
 18 budget year 2025-26, based on available revenue after administrative expenses. Actual
 19 expenditures will vary based on revenue collected, and funds will be distributed subject to
 20 availability in 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.

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Table 2
Tax Owed 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 Collected	\$35.75	\$60.45	\$1.30