

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

**SPONSOR** Hernandez/Reeb/Murphy/Martinez, A./Dixon
**LAST UPDATED** \_\_\_\_\_  
**ORIGINAL DATE** 01/31/2025  
**SHORT TITLE** Gun Storage Income Tax Credit
**BILL NUMBER** House Bill 202  
**ANALYST** Faubion

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT	\$0.0	Up to (\$1,000.0)	Up to (\$1,000.0)	Up to (\$1,000.0)	\$0.0	Nonrecurring	General Fund

Parentheses ( ) indicate revenue decreases.  
 \*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DPS	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund
TRD	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund
<b>Total</b>	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis was Solicited but Not Received From  
 Taxation and Revenue Department (TRD)  
 Department of Public Safety (DPS)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

## SUMMARY

### Synopsis of House Bill 202

House Bill 202 proposes a refundable personal income tax (PIT) credit of 100 percent of the cost of a secure firearm storage cabinet or other secure firearm storage device up to \$750 per claim. There is an aggregate cap of \$1 million in total credit awards per year. DPS must certify the

suitability of the individual request and provide this certificate to the applicant.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. The provisions of this act apply to taxable years 2025 through 2027.

## FISCAL IMPLICATIONS

This bill creates or expands a tax expenditure. Estimating the cost of tax expenditures is difficult. Confidentiality requirements surrounding certain taxpayer information create uncertainty, and analysts must frequently interpret third-party data sources. The statutory criteria for a tax expenditure may be ambiguous, further complicating the initial cost estimate of the fiscal impact. Once a tax expenditure has been approved, information constraints continue to create challenges in tracking the real costs (and benefits) of tax expenditures. Given the annual aggregate cap placed on this credit, the revenue loss to the general fund is up to \$1 million annually for fiscal years 2026, 2027, and 2028. Actual costs could be less if the credit is underutilized.

There will likely be some nonrecurring and recurring impact to the Taxation and Revenue Department to implement the credit. The Department of Public Safety may also have some recurring and nonrecurring costs to certify eligibility. Operating impacts could be updated if agency analysis is received.

## SIGNIFICANT ISSUES

Typical costs for simple secure gun storage cabinets are \$200 to \$300, so the \$750 limit may be inappropriately high. With a total cap of \$1 million annually, limiting the credit to 50 percent of actual costs not to exceed \$300 would increase availability of the credit from around 1,300 claimants to approximately 3,300 claimants.

Research supports gun storage, particularly for those with children with potential access to firearms, as an effective way to reduce accidental gun deaths.

## PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to report annually in the tax expenditure budget the data compiled from the reports from taxpayers taking the credit.

## OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those

policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
<b>Vetted:</b> The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	?	No record of an interim committee hearing can be found.
<b>Targeted:</b> The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	x	There are no stated purposes, goals, or targets.
<b>Transparent:</b> The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	The credit must be reported publicly in the TER.
<b>Accountable:</b> The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	✓	The credit does have an expiration date.
<b>Effective:</b> The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure. Fulfills stated purpose Passes “but for” test	?	There are no stated purposes, goals, or targets with which to measure effectiveness or efficiency.
<b>Efficient:</b> The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✓ Met   x Not Met   ? Unclear		