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IN FOCUS

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Firearms and Ammunition Excise Tax (FAET)

The federal government first imposed excise taxes on firearms and ammunition over 100 years ago. Today, Section 4181 of the Internal Revenue Code imposes an excise tax at 10% of the manufacturer's price for pistols and revolvers and 11% of the manufacturer's price for other firearms (rifles and shotguns), cartridges, and shells. The firearms and ammunition excise tax (FAET) is imposed on the manufacturer and importer but, as with other excise taxes, is rebated on exports. Thus, the tax applies to firearms and ammunition for domestic use. Because the tax is imposed at the manufacturer's level, the tax is a smaller share of the retail price, because the tax base does not include additional markups. The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers the tax.

The tax does not apply to firearm parts, including frames and receivers, but it does apply to complete but unassembled firearms.

This In Focus does not discuss occupational taxes or transfer and making taxes collected under the National Firearms Act (such as machine guns, short-barreled shotguns, and silencers). For a discussion of these taxes, see CRS Report R45123, *Guns, Excise Taxes, Wildlife Restoration, and the National Firearms Act*, by R. Eliot Crafton, Jane G. Gravelle, and William J. Krouse.

Exemptions

Sales to the Department of Defense and the Coast Guard, state and local governments, nonprofit educational organizations, and for use in vessels and aircraft are exempt from the FAET. Additionally, producers of fewer than 50 guns a year are also exempt from the excise tax. There is also a personal-use exemption for manufacturers, importers, or producers who incidentally produce firearms and ammunition for their own use.

History

Excise taxes on firearms and ammunition were first imposed in 1919 in the Revenue Act of 1918 (P.L. 62-524), as part of the tax increases associated with World War I. The initial rate was 10%. Although the war ended, some of these taxes remained. The Revenue Act of 1926 (P.L. 68-553) eliminated the tax on long guns and ammunition, retaining only the tax on pistols and revolvers. The Revenue Act of 1928 (P.L. 75-400) eliminated these taxes as well. The FAET, at 10%, along with other taxes, was restored by the Revenue Act of 1932 (P.L. 71-88), reflecting the revenue needs during the Great Depression. These early taxes reflected a general revenue objective and were not dedicated to a specific use. The Revenue Act of 1940 (P.L. 76-656) raised the tax rate on pistols and revolvers to 11% for a temporary, five-year period. This temporary increase was made permanent in the Revenue Act of 1941 (P.L. 77-250) and the tax rate on other firearms and ammunition was increased to 11%. The Excise Tax Reduction Act of 1954 (P.L. 83-354) reduced the rate for pistols and revolvers to 10%, leading to the rates that stand today.

FAET revenues originally went into the Treasury's general fund, but in 1937, the Federal Aid in Wildlife Restoration Act (P.L. 75-415, commonly referred to as the Pittman-Robertson Wildlife Restoration Act) allocated the taxes on other firearms (rifles and shotguns) and ammunition to the Wildlife Restoration Trust Fund. The fund provides money to the states to support wildlife restoration and hunter safety and education. In 1970, the Federal Aid in Wildlife Restoration Act Amendments of 1970 (P.L. 91-503) also allocated the tax on pistols and revolvers to the trust fund. The connection with wildlife restoration has led to the characterization of the current excise tax on firearms and ammunition as a form of benefits tax, where the tax is paid by the beneficiaries (similar to the gasoline tax, which pays for highways). The link between taxpayers and beneficiaries is imperfect, since some firearms and ammunition are not used for hunting and other recreational users, such as hikers and birdwatchers, benefit from wildlife preservation. However, the link to wildlife restoration has provided support for the FAET over the years from hunting and conservation groups.

Tax Collections

Revenue from the tax is about equally divided between pistols and revolvers, other firearms, and ammunition. The tax's total yield has fluctuated depending on the economic, social, and political environment, and it increased substantially in 2020 and 2022. **Table 1** shows the yield and distribution of receipts for the past six years.

Table 1. Firearms and Ammunition Excise Tax (FAET) Revenue

Year	Total Receipts ($millions)	Pistols and Revolvers	Other Firearms	Ammunit ion
2017	$666.7	33%	33%	35%
2018	649.0	33	34	32
2019	633.8	34	32	34
2020	921.6	36	31	33
2021	1,223.8	36	30	34
2022	1,085.8	32	30	37

Source: Congressional Research Service (CRS) calculations from Alcohol and Tobacco Tax and Trade Bureau (TTB), FOIA Electronic Reading Room, Quarterly Breakdown of the Firearms and

Ammunition Excise Tax (FAET) Collections, https://www.ttb.gov/foia/electronic-reading-room.

Notes: These data reflect the amount of excise taxes collected but not the revenue gain to the government, because excise taxes reduce the base for income taxes. The Joint Committee on Taxation typically reduces revenues by around 25% to reflect this effect.

Data on receipts for earlier years is on the TTB website, beginning with 1991. Receipts have generally grown faster than gross domestic product (GDP); from 1991 (the earliest year in the TTB data) to 2019, GDP grew by an average of 4.5% whereas excise tax receipts grew by 5.8%.

Excise taxes grew substantially in 2020 and 2021. Compared with 2019, they were 45% higher in 2020 and 93% larger in 2021. The increase in 2020 appears largely due to a rise in the number of firearms purchased during the pandemic, based on the number of background checks. The further increase in 2021 appears largely to reflect the increase in prices. (The quantity of firearms purchased declined slightly between 2020 and 2021, but prices rose substantially.) While these tax receipts have generally grown faster than GDP since 1991, there are significant fluctuations in receipts over time, and this higher level may not persist. The receipts declined between 2021 and 2022, although ammunition taxes remained about the same, and the largest decline was in pistols and revolvers.

Legislative Proposals

There have been proposals to increase the excise tax and in some cases use the revenue for other purposes, with an objective of reducing firearms and ammunition sales, as well as proposals to eliminate the tax.

In the 117th Congress, H.R. 8051, the Assault Weapons Excise Act (Representative Donald S. Beyer, Jr.), would impose an additional 1,000% excise tax on large capacity ammunition feeding devices and semi-automatic assault weapons. The objective of this tax is to increase the price of these weapons to limit accessibility but stop short of a full ban. (The sale of certain semi-automatic weapons and large capacity magazines was banned for 10 years, beginning in 1994.)

In the 116th Congress, H.R. 5717 (Representative Henry C. (Hank) Johnson, Jr.) and S. 3254 (Senator Elizabeth Warren) would have increased the tax to 30% on firearms and 50% on ammunition. These bills also would have imposed the tax on a lower frame or receiver for a firearm, whether for a semiautomatic pistol, rifle, or shotgun that is designed to accommodate interchangeable upper receivers. The two bills would have diverted part of the tax on ammunition to gun violence prevention and reform. Legislative proposals from earlier Congresses to increase the tax and use funds for gun violence-related purposes are described in CRS Report R45123, *Guns, Excise Taxes, Wildlife Restoration, and the National Firearms Act*, by R. Eliot Crafton, Jane G. Gravelle, and William J. Krouse.

H.R. 8167, the Repealing Excise Tax on Unalienable Rights Now (RETURN) Act (117th Congress, Representative Andrew S. Clyde), would repeal the firearms and ammunition taxes. The bill replaces the revenue for the Pittman-Robertson fund with revenue raised from leases by the Outer Continental Shelf Lands Act and the Mineral Leasing Act, not to exceed $800 million.

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