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PROPORTIONS OF EXCISE TAXES GENERATED BY HUNTING VERSUS NON-HUNTING ACTIVITIES

A Southwick Associates' White Paper



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Executive Summary

The major activities that generate Federal Aid in Wildlife Restoration excise tax revenues can be divided into hunting-related and non-hunting related categories. Non-hunting activities are generally comprised of recreational shooting, home and self-defense, collecting and work-related purchases. Questions have been raised about the proportional excise tax contributions from hunting and non-hunting activities. This paper seeks to answer those questions. Based on a combination of proprietary trade data and public information sources, the following top-level insights were achieved:

- 1) As of 2015, firearms make up 57.4% of retail dollars generated from the sales of products taxable under the Wildlife Restoration program. Other taxable products include ammunition (32.3% of sales dollars) and archery products (10.3%).
- 2) Of firearms sales dollars, 20.2% can be assigned to hunting purposes, and the remainder (79.8%) to non-hunting purposes.
- 3) Of ammunition sales dollars, 26.6% can be assigned to hunting purposes, and the remainder (73.4%) to non-hunting purposes.
- 4) For firearms and ammunition combined, 22.5% can be assigned to hunting purposes, and the remainder (77.5%) to non-hunting purposes. It was not possible to assess archery sales.

Introduction, Data Sources & Method

This report is intended to help readers understand the volume of Federal Aid in Wildlife Restoration excise tax revenues generated by purchases made for hunting and non-hunting purposes, respectively. Information was not available on the percentage of archery products sold for the purposes of hunting versus non-hunting activities. Therefore, this report does not separate archery sales by hunting versus non-hunting purposes. Only the total volume of archery-related sales is available, and this is compared to sales of firearms and ammunition in the first chart, below.

Two major data sources were used. The first is a proprietary report produced by Southwick Associates on the size of the U.S. firearms, ammunition and related accessories market. Provided to the trade for a fee, this data source presents estimates of annual sales for detailed firearm, ammunition and accessories categories plus the spending associated with specific types of shooting sports activities. Details available, but not presented in this specific report, include sales by type of firearm, ammunition and accessories sold, sales by caliber and gauge, percentage of sales for specific types of shooting sports, and more. The market size estimates are initially based on the annual federal excise tax collected from manufacturers and importers. Then, using current tax rates plus information from Southwick Associates' other proprietary trade surveys and sources including standard wholesale and retail mark-ups, manufacturers' tax payments are adjusted to reflect annual U.S. retail sales. The results are shown in Table 1, below.

Table 1: Retail market size by category

	% of U.S. Retail Sales Dollars for Hunting and Shooting Products	% of Taxable Products**
Firearms*	30.7%	57.4%
Ammunition	17.3%	32.3%
Archery	5.5%	10.3%
All other industry products, including:	46.5%	0.0%
Optics		
Hand loading equipment		
Hunting apparel		
Hunting accessories		
Shooting accessories		
Firearm accessories		
Firearm storage		
Total	100%	100%

* Of firearm sales revenues, handguns represent about half of all annual sales.

** These percentages are likely to change over time based on ever-changing demand for ammunition vs firearms and archery products.

To help explain the volume of non-archery Federal excise tax generated by hunting versus non-hunting-related activities, retail sales estimates specific to firearm and ammunition products were next divided into two categories: hunting and non-hunting¹ purposes. Together, these two categories represent 100 percent of U.S. retail sales for all firearms and ammunition. This step was not needed for accessories which are not subject to the Federal excise tax.

The primary data source used to make this split was Southwick Associates’ proprietary HunterSurvey and ShooterSurvey research panel. This panel tracks hunter and target shooters’ purchases every two months, recording the purpose of each purchase, amount spent, place of purchase, brand and more. By applying the percentages of sales made for hunting and non-hunting purposes to each product category in Table 1, the total sales attributable to hunting and non-hunting purposes were generated. These are presented in Tables 2 and 3. Please note that during these calculations, firearms and ammunition were divided into detailed categories such as revolvers, semi-auto handguns, traditional rifles, modern sporting rifles, pump, shotguns, semi-auto shotguns, etc. to account for different rates of usage unique to each type of product. The results were then summed to reflect firearms and ammunition in total. Table 4 combined all firearms and ammunition estimates into one summary table. This table reports the percentage of all combined firearm and ammunition sales made for hunting and non-hunting purposes. By default, these percentages then are reliable estimates of the amount of annual Wildlife Restoration excise taxes generated by firearm and ammunition purchases for hunting-related versus non-hunting purposes respectively.

¹ The non-hunting category includes casual and competitive shooting, self-defense, gifts, and collecting.

Table 2. Primary purpose of FIREARMS purchased

	% of 2015 Sales for Hunting Purposes	% of 2015 Sales for Non-Hunting Purposes	% of 2015 Firearm Retail Sales Dollars
Traditional Rifles	48.9%	51.1%	15.6%
MSR Rifles	20.5%	79.5%	19.5%
Shotguns	43.4%	56.6%	12.0%
Muzzleloaders	61.8%	38.2%	1.40%
Handguns	4.4%	95.6%	50.4%
Air rifles/air guns	-	-	1.10%
All Firearms²	20.2%	79.8%	100%

Table 3. Primary purpose of AMMUNITION purchased

	% of 2015 Sales for Hunting Purposes	% of 2015 Sales for Non-Hunting Purposes	% of 2015 Ammunition Retail Sales Dollars
Rifle Ammunition	37.0%	63.0%	39.0%
Shotgun Ammunition	50.8%	49.2%	21.3%
Handgun Ammunition	3.50%	96.5%	39.7%
All Ammunition	26.6%	73.4%	100%

Results Summary

Table 4. Primary purpose of ALL FIREARMS AND AMMUNITION purchased

	% of 2015 Sales for Hunting Purposes	% of 2015 Sales for Non-Hunting Purposes	% of 2015 Combined Retail Sales Dollars
All Firearms ³	20.2%	79.8%	63.6%
All Ammunition	26.6%	73.4%	36.4%
Total	22.5%	77.5%	100%

The results show 22.5% of all taxable firearm and ammunition sales are for hunting-related purposes. The rest go to target shooting, work-related purchases, collectors, gifts (some of which would be intended for hunting) and self- and home-protection purposes. It is reasonable to assume that a similar percentage, or roughly 22.5%, of excise taxes paid from firearm and ammunition sales can be credited to hunting-related activities.

² Information regarding the purpose of air rifle/air gun sales were not available, so air rifles/air guns were not included in the All Firearms category's percentage of sales for hunting and non-hunting purposes.

³ See footnote 2.

List of Items Subject to the Wildlife Restoration Excise Tax. This table is for general reference only. Consult the IRS guidelines for specific items subject to the tax.

Hunting and Shooting Sports Equipment List of Taxable Items in the Wildlife Restoration Program as of May 2010
<p><u>Sporting firearms and ammunition are taxed at 11%; Handguns are taxed at 10%. These include:</u></p> <ul style="list-style-type: none">• Pistols• Revolvers• Firearms (other than pistols and revolvers)• Shells• Cartridges• Firearm parts/accessories – if in knockdown/kit form and contain all components• Rifles• Shotgun and combination guns• Component parts for shells/cartridges sold as a “kit”• Reloaded ammunition for resale (some exemptions apply)• Portable weapons that use matchlock, flintlock, percussion cap ignition system, or black powder firearms• Centerfire rifles including autoloaders, lever action, slide action, bolt action, single shot, drillings, combination guns, and double rifles• Rimfire rifles including autoloaders, lever action, slide action, bolt action, and single shot• Competition rifles: both centerfire and rimfire• Shotguns including autoloaders, slide actions, over/under, side by sides, bolt action and single shot
<p><u>Archery equipment is taxed at 11% for bows and archery accessories that are attached to a bow, quivers, points and broadheads.</u></p>
<p>Arrow shafts are taxed at \$0.45 per shaft (as of 1/1/09) whether sold separately or incorporated as part of a finished product (including bow fishing arrows); regardless of shaft material or the type of head, that measure 18 inches or more in overall length (including the tip or head, and nock), and all arrows sold after 9/30/84 that measure less than 18 inches in overall length, and are suitable for use with a taxable bow; wood arrows designed for use by children are exempt.</p>
<p>Arrow points including field, target, bow fishing and broadheads.</p>
<p>Arrow holders (all items to be affixed to a to a bow to hold an arrow in ready position)</p>
<p>Arrow plates (whether fixed, adjustable, spring loaded etc.)</p>
<p>Arrow rests (whether bow shelf or auxiliary type)</p>
<p>Quivers designed to provide ready access to taxable arrows during the time that an archer is engaged in target shooting, hunting or fishing regardless of material from which constructed including bow quivers for attaching to bows and ground quivers</p>

Bows – peak draw weight 30 pounds or more including laminated, composite bows, solid glass, wood, steel, etc., bows and crossbows.

Bow parts and accessories, including:

- Bow handles, handle sections, bow levels, bow limbs
- Bow saddles (including interchangeable or replaceable bow grips)
- Bow sights and bow sight extensions (including parts and attachments therefore)
- Bow silencing pads
- Bow stabilizers (all attachments and weights for use on bows to effect stabilization, counterbalancing or modification of weight distribution)
- Bowstrings
- Bow wrist slings
- Draw stops
- Finger protectors attached to bowstring)
- Grip formers
- Kisser buttons (all items attached to bowstring to establish consistent anchor point)
- Knocking points (all items attached to bowstring to establish arrow positioning)
- Bowstring silencers
- Bow tip protectors
- Brush buttons
- Cushion nocks
- Cable guards and slides
- Camouflaged bow covers (slip over cover cloth, self-adhesive tape type, etc.)
- Draw checks (spring loaded clickers, mirrors, or any other device attached to a bow or string to insure consistent draw length)
- Release draw bars
- String peeps (all items attached to bowstring for use in sighting)

Taken from *Financial Returns to Industry from the Federal Aid in Wildlife Restoration Program*, by Andrew Loftus Consulting and Southwick Associates, Inc. Funded by the Multistate Conservation Grant (#DC M-73-C), awarded by the Association of Fish and Wildlife Agencies. February, 2011.