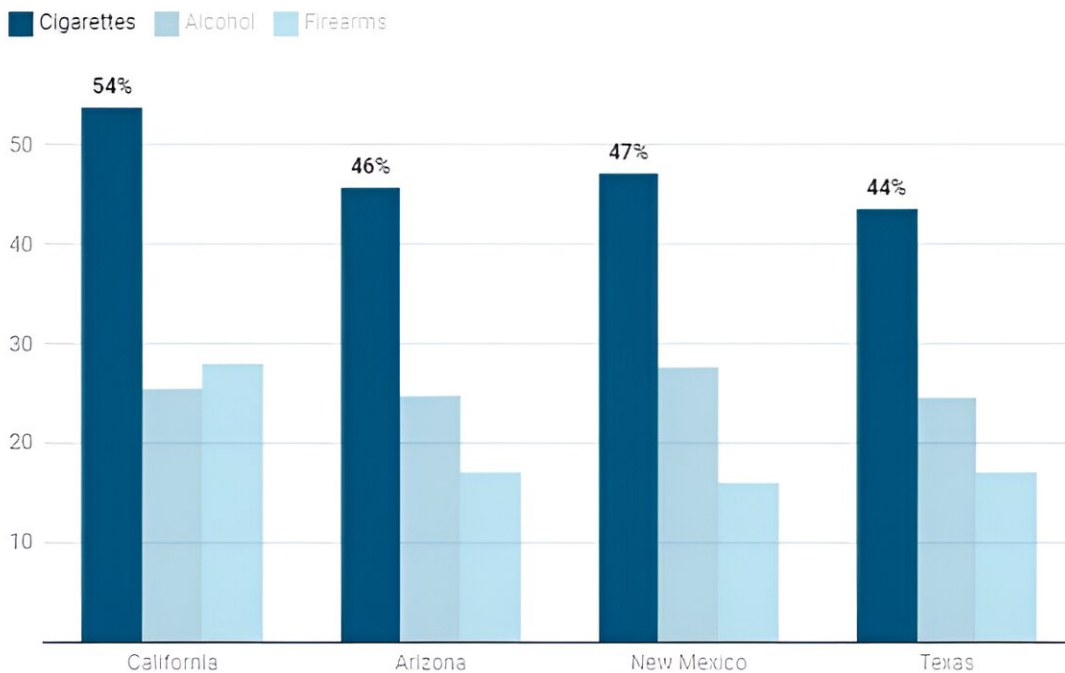


California is about to tax guns more like alcohol and tobacco—and that could put a dent in gun violence

May 21 2024, by Topher L. McDougal

Vice taxes in the Southwest

Total effective tax rates on cigarettes, alcohol and firearms across border states as of July 2024.



Credit: The Conversation

Starting in July 2024, California will be the first state to charge an [excise tax](#) on guns and ammunition. The new tax—an [11% levy on each sale](#)—will come on top of federal excise taxes of [10% or 11% for firearms](#) and California's 6% sales tax.

The National Rifle Association has characterized California's [Gun Violence Prevention and School Safety Act](#) as [an affront](#) to the Constitution. But the reaction from the gun lobby and firearms manufactures may hint at something else: the impact that the measure, which is aimed at reducing [gun violence](#), may have on sales.

As a [professor who studies](#) the economics of violence and illicit trades at the University of San Diego's Kroc School of Peace Studies, I think this law could have important ramifications.

One way to think about it is to compare state tax policies on firearms with those on alcohol and [tobacco products](#). It's not for nothing that these all appear in the name of the Bureau of Alcohol, Tobacco, Firearms and Explosives, also known as ATF.

What alcohol, tobacco and firearms have in common

That agency, part of the Justice Department, is tasked with making [American communities safer](#). The ATF focuses on those products because, while legal, they can cause significant harm to society—in the form of drunken driving, for example, or cancer-causing addictions. They also have a common history: All have been [associated](#) with criminal organizations seeking to profit from illicit markets.

Alcohol and tobacco products are thus usually subject to state excise taxes. This policy is known as a "[Pigouvian tax](#)," named after 20th-

century British economist Arthur Pigou. By making a given product more expensive, such a tax leads people to buy less of it, reducing the harm to society while generating tax revenue that the state can theoretically use to offset those harms that still accrue.

California, for instance, imposes [a US\\$2.87 excise tax](#) on each pack of cigarettes. That tax is [higher than the national average](#) but much lower than [New York's \\$5.35 levy](#). California also imposed a [vaping excise tax](#) of 12.5% in 2021.

Of the three ATF product families, firearms have enjoyed an exemption from California excise taxes. Until now.

The costs of gun violence

Anti-gun advocates have long called for the firearm industry to lose the special treatment it receives, given the harms that firearms cause. The national rate of gun homicides in 2021 was [4.5 per 100,000 people](#). This is eight times higher than Canada's rate and 77 times that of Germany. It translates into 13,000 lives lost every year in the U.S.

Additionally, nearly [25,000 Americans die](#) from firearms suicide each year. This implies a rate of [8.1 per 100,000 per year](#), [exceeding Canada's](#) by more than four times. Moreover, [more people suffer](#) nonfatal firearm injuries than die by guns.

Gun deaths and injuries aren't just tragic—[they're expensive, too](#). One economist [estimated the benefit-cost ratio](#) of the U.S. firearms industry at roughly 0.65 in 2009. That means for every 65 cents it generates for the economy, the industry produces \$1 of costs.

And that back-of-the-envelope calculation may be an underestimate. It included the cost of fatal gun violence committed within the U.S. But the

estimate didn't include [nonfatal injuries](#), or the cost of [firearm](#) harms occurring outside the U.S. with U.S.-sold weapons.

Mexico pays a steep price for US gun trade

America has been called [the world's gun store](#). No country knows this better than Mexico. The U.S. endured roughly [45,000 firearms deaths in 2019](#), while the rest of the world combined saw 200,000. Mexico, which shares a long, permeable border with the U.S., [contributed 34,000](#) to that grisly total.

Mexico's government [estimates that 70% to 90%](#) of traceable guns used in crimes seized in the country come from the United States. Other examples abound. For instance, U.S.-sold guns [fuel gang violence](#) in a lawless Haiti.

No investor would back such an industry if they were forced to pay its full cost to society. Yet U.S. gun sales have grown [tenfold over the past 20 years](#) to about 20 million guns annually, even though they're now deadlier and more expensive.

What alcohol, tobacco and firearms don't have in common

Across the U.S., there's not a single state where firearms are taxed as much as alcohol and tobacco. I think guns should probably be taxed at a higher level than both of them. That's because unlike alcohol and tobacco—consumable products that disappear as soon as they've been used—firearms stick around. They accumulate and can continue to impose costs long after they're first sold.

Starting in July, California will tax firearms at about the level of alcohol.

But the state would have to apply an excise tax of an additional 26% to equal its effective tax on tobacco.

It's unclear how the new tax will affect gun violence. In theory, the tax should be highly effective. In 2023, some [colleagues and I modeled](#) the U.S. market for firearms and determined that for every 1% increase in price, demand decreases by 2.6%. This means that the market should be very sensitive to tax increases.

Using these estimates, another [colleague recently estimated](#) that the California excise tax would reduce gun sales by 30% to 44%. If applied across the country, the tax could generate an additional \$1.5 billion to \$1.9 billion in government revenue.

One possible problem will come from surrounding states: It's already easy to [illegally transport](#) guns bought in Nevada, where laws are more lax, to the Golden State.

But there's some evidence that suggests California's stringent policies won't be neutralized by its neighbors.

When the federal assault weapons ban expired in 2004, making it much easier to buy AR- and AK-style rifles across much of the U.S., gun murders across the border in Mexico skyrocketed. [Two studies](#) show the exception was the Mexican state of Baja California, right across the border with California, which had kept its state-level assault weapons ban in place.

Gun seizures in Mexico show that all four U.S. states bordering Mexico rank in the [top five state sources](#) of U.S.-sold guns in Mexico. But California contributes 75% less than its population and proximity would suggest.

So, California laws seem to already be making a difference in reducing gun violence. I believe the excise tax could accomplish still more. Other states struggling against the rising tide of guns will be watching closely.

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