



50 GUN EXEMPTION TO FIREARMS AND AMMUNITION EXCISE TAX (FAET) AMENDMENT TO THE PROVISIONS OF 26 U.S.C. SECTION 4182

To: Manufacturers, producers and importers of firearms

What is the purpose of this information sheet?

This information sheet announces the recently enacted amendment to the provisions of Title 26, United States Code, Section 4182 that provides an exemption from the firearms and ammunition excise tax (FAET) as to any pistol, revolver, or firearm (article) if it was manufactured, produced or imported by a person who manufactures, produces or imports less than an aggregate of 50 such articles during the calendar year.

Title 26, United States Code, Section 4181 imposes an excise tax on the sale or taxable use of firearms, shells and cartridges by a manufacturer, producer or importer of these

articles. Title 26, United States Code, Section 4182 provides for certain exemptions to this tax. Prior to October 1, 2005, only sales to the Department of Defense and Coast Guard (with funds appropriated for the military department) and transactions where the National Firearms Act Transfer Tax (26 U.S.C. Section 5811) had been paid were exempt from the tax.

Recently, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: Legacy for Users was signed into law. As of October 1, 2005, this act amended 26 U.S.C. Section 4182 by adding a provision that exempts from the tax any pistol, revolver, or firearm if it was manufactured, produced or imported by a person who manufactures, produces or imports less than an aggregate of 50 such articles during the calendar year.

Who qualifies for this exemption?

Whether a manufacturer, importer or producer qualifies for this exemption is to be determined by the number of firearms manufactured, produced and imported on a calendar year basis (January 1 - December 31).

For example, if Company "A" manufactures 20 firearms in a calendar year – no FAET is due upon sale or taxable use of those 20 firearms.

However, if Company "A" manufactures 55 firearms in a calendar year – FAET is due upon sale or taxable use of those 55 firearms.

The amendment also provides that all persons that are a part of a controlled group under 26 U.S.C. Section 1563 will be treated as one taxpayer for purposes of this exemption.

It should be noted that this amendment does not apply to shells and cartridges.

When is this change effective?

This amendment went into effect on October 1, 2005. Since FAET is paid quarterly, this corresponded with the beginning of the new tax quarter (October 1 – December 31, 2005).

Further, this exemption has prospective application in that it has no effect on the tax liability of a manufacturer, producer or importer prior to October 1, 2005.

Changes in exemptions at a glance.

	Exemptions from Federal Firearms and Ammunition Excise Taxes (FAET)	
	<i>26 U.S.C. 4182 (Before October 1, 2005)</i>	<i>26 U.S.C. 4182 (Amended)</i> Effective: October 1, 2005
Firearms, shells and cartridges sold to the Department of Defense and Coast Guard (with funds appropriated for the military department) 26 U.S.C. Section 4182(a)	Are exempt from FAET	Are exempt from FAET

Exemptions from Federal Firearms and Ammunition Excise Taxes (FAET)		
Transactions where the National Firearms Act (NFA) Transfer Tax has been paid 26 U.S.C. Section 4182(b)	Are exempt from FAET	Are exempt from FAET
Any pistol, revolver, or firearm (but not shells or cartridges) if it was manufactured, produced or imported by a person who manufactures, produces or imports less than an aggregate of 50 such articles during the calendar year 26 U.S.C. Section 4182(c)	Are NOT exempt from FAET	Are exempt from FAET

If I manufacture, produce or import 50 or more firearms during the calendar year, would I be liable for FAET on the first 49 firearms, as well as all subsequent firearms manufactured, produced or imported for the remainder of the calendar year (even though I did not collect or pay the tax to the Alcohol and Tobacco Tax and Trade Bureau TTB)?

Yes, you would owe TTB the FAET on the first 49 firearms that were sold or put to a taxable use whether or not you collected the tax from your customers upon the sale or taxable use of these firearms. This is due to the fact that the exemption applies only if you manufacture, produce or import less than an aggregate of 50 firearms during the calendar year.

Consequently, you would owe FAET on the first 49 firearms sold or put to a taxable use, as well as, all subsequent firearms manufactured, produced or imported for the remainder of the calendar year, regardless of when they are sold or put to a taxable use. Each calendar year stands alone.

Who do I contact if I have questions about this exemption?

If you have any questions please contact:

Alcohol and Tobacco Tax and Trade Bureau
National Revenue Center
Firearms and Ammunition Excise Tax (FAET) Group
550 Main Street
Suite 8002
Cincinnati, OH 45202-5215

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