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Proportions of Excise Taxes Generated by Hunting and Non- Hunting Activities

A Southwick Associates' White Paper



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Executive Summary

Federal Aid in Wildlife Restoration excise taxes are generated by hunting-related and non-hunting related activities. Non-hunting activities are generally comprised of recreational shooting, home and self-defense, firearms collecting and non-law enforcement or military work-related purchases. In recent months, Southwick Associates has received questions about the proportion of excise tax revenues generated by hunting and non-hunting activities. This paper seeks to answer that question. Based on a combination of proprietary trade data and public information sources, the following top-level insights were achieved:

- 1) As of 2020, firearms represented 59.9% of all U.S. consumer sales obligated to pay into the Wildlife Restoration program. The other sources are ammunition (33.9% of taxable sales) and archery products (6.2%).
- 2) Of U.S. retail firearms sales, 22.0% can be assigned to hunting purposes, and the remainder (78.0%) to non-hunting purposes.
- 3) Of U.S. retail ammunition sales, 32.3% can be assigned to hunting purposes, and the remainder (67.7%) to non-hunting purposes.
- 4) For firearms and ammunition combined, 25.8% can be assigned to hunting purposes, and the remainder (74.2%) to non-hunting purposes. Data were not available to assess archery sales.
- 5) The percentage of Wildlife Restoration excise tax revenues attributable to hunting-related activities in 2020 (25.8%) is down from 36.2% in 2016.

This white paper updates a similar paper produced by Southwick Associates in 2016.

Introduction, Data Sources & Method

This report is intended to help readers understand the volume of Federal Aid in Wildlife Restoration (WR) excise tax revenues generated by hunting and non-hunting activities. Due to limited, reliable data on U.S. archery and bowhunting retail sales, archery is largely excluded from this analysis. Best available data from previous Southwick Associates' market research shows archery & bowhunting product sales represent about 6% of all U.S. sales obligated to pay into the WR tax program.

Two major data sources were used. The first, Southwick Associates' *"2020 Retail Market Size Report: Hunting & Shooting Equipment"*, a proprietary report released annually, reports the size of the U.S. firearms, ammunition and accessories market. Provided to the trade for a fee, this report estimates annual sales and units for detailed firearm, ammunition and accessories categories plus the spending associated with specific types of shooting sports activities, both hunting and non-hunting related. Contents include overall sales, sales by caliber and gauge, percentage of sales for specific types of shooting sports, and more. The market size estimates are based on a combination of annual WR excise tax collection data, standard wholesale and retail margins, plus the second major data source: Southwick Associates' quarterly *"Hunting & Shooting Participation and Equipment Purchases Consumer Tracking Study."* This trade report tracks the intended uses of people's firearms, ammunition and accessory purchases, along with sales by brand, retail channel and more. Sales to military and law enforcement are excluded from both sources as they are exempt from the WR excise tax.

Table 1, below, summarizes the proportions of the U.S. firearms, ammunition and accessories market held by each major product category (Column B). Considering just the sales obligated to pay the WR excise tax, the proportions attributable to each major product category are presented in Column C.

Table 1: Retail market size by category (2020)

Column A	Column B % of U.S. Retail Sales Dollars for Hunting and Shooting Products	Column C % of All Sales Obligated Under the WR Program
Firearms*	36.8%	59.9%
Ammunition	20.8%	33.9%
Archery**	6.2%	6.2%
All other industry products, including:	46.5%	<i>Not obligated to pay the tax</i>
<i>Optics</i>		
<i>Hand loading equipment</i>		
<i>Hunting apparel</i>		
<i>Hunting accessories</i>		
<i>Shooting accessories</i>		
<i>Firearm accessories</i>		
<i>Firearm storage</i>		
Total	100%	100%

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

** Sample sizes were too small to report 2020 results. Therefore, the 2019-2020 average as observed in Federal excise tax collection data is used in its place. This amount is only 1% less than seen in previous years when sample sizes permitted reliable estimates.

The next step divides each taxable category – firearms and ammunition – into proportions reflecting the consumers’ use intentions. Archery sales are excluded at this point as reliable data necessary to make this division were not available. The results are presented in Table 2.

Table 2: Primary purpose of ALL FIREARM and AMMUNITION retail sales

Product:	% of 2020 Taxable Sales Intended for Hunting Purposes	% of 2020 Sales Intended for Non-Hunting Purposes
All Firearms	22.0%	78.0%
All Ammunition	32.3%	67.7%
Combined	25.8%	74.2%

Please note that, during the analytical process, the calculations separated each category into their component products. For example, the firearms category estimate was based on survey data reporting consumer purchases for revolvers, semi-auto handguns, traditional rifles, modern sporting rifles, pump shotguns, semi-auto shotguns, and more. Ammunition purchases were divided into handgun, rifle and shotgun subcategories. The results were summed as needed.

Considering annual wholesale and retail inventory fluctuations plus the time needed for products to move from manufacturers or importers to the final consumer, the results in Table 2 do not perfectly represent the exact proportions of excise tax revenues attributable to hunting and non-hunting uses. They are, however, the most reliable proxy estimates possible.

Considering the significant growth in firearm and ammunition sales in 2020, there could be concern these results do not reflect a recent typical year. However, examining data from Southwick Associates’ “Retail Market Size Report Hunting & Shooting Equipment” reports for 2019 and 2020 show that, while overall

sales volume increased significantly from 2019 to 2020, the proportion of sales intended for non-hunting purposes remained relatively steady (Table 3).

Table 3: Percentage of Sales Made for Non-Hunting Purposes by Year

	2019	2020
Traditional rifles	52.3%	49.1%
MSR Rifles	79.9%	79.0%
Shotguns	32.5%	47.7%
Muzzleloaders	n/a	29.7%
Handguns	97.3%	94.0%
Rifle Ammunition	56.0%	49.0%
Shotgun ammo	46.3%	44.4%
Handgun ammo	97.0%	95.8%

Results Summary

The results show 74.2% of all taxable firearm and ammunition retail sales are for non-hunting purposes. These purchases are meant for target shooting, non-military or law enforcement work-related purposes, collectors, gifts (some of which might be intended for hunting) and self- and home-protection purposes. It is reasonable to assume that a similar percentage of WR excise tax revenues, which are derived at the wholesale level, can be driven by hunting-related activities. Compared to the original white-paper, the percentage of WR excise taxes attributable to hunting-related activities in 2020 decline to 25.8% level from 36.2% in 2016.