



Introduction to Firearm & Ammunition Excise Tax with TTB

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Introduction to Firearm and Ammunition Excise Tax (FAET)

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Agenda

- TTB Overview
- FAET Background
- Definitions
- FAET Return
- Resources



TTB Disclaimer

Notice:

This information is being presented to help the public to understand and comply with the laws and regulations that the Alcohol and Tobacco Tax and Trade Bureau administers. It is not intended to establish any new, or change any existing, definitions, interpretations, standards, or procedures regarding those laws and regulations. In addition, this presentation may be made obsolete by changes in laws and regulations. Please consult the regulations for the most current regulatory requirements.

Sample documents (such as records, returns, and labels) are for illustrative purposes only and contain fictitious data.

TTB Overview





TTB Overview

- Bureau within the Department of the Treasury
- Approximately 500 employees
- Headquarters Operations in Washington, DC
- Permitting and Taxation (National Revenue Center) in Cincinnati, Ohio
- 6 districts with auditors and investigators located across the country
- 3 laboratories at the National Laboratory in Maryland



TTB Mission

COLLECT the taxes on alcohol, tobacco, firearms, and ammunition

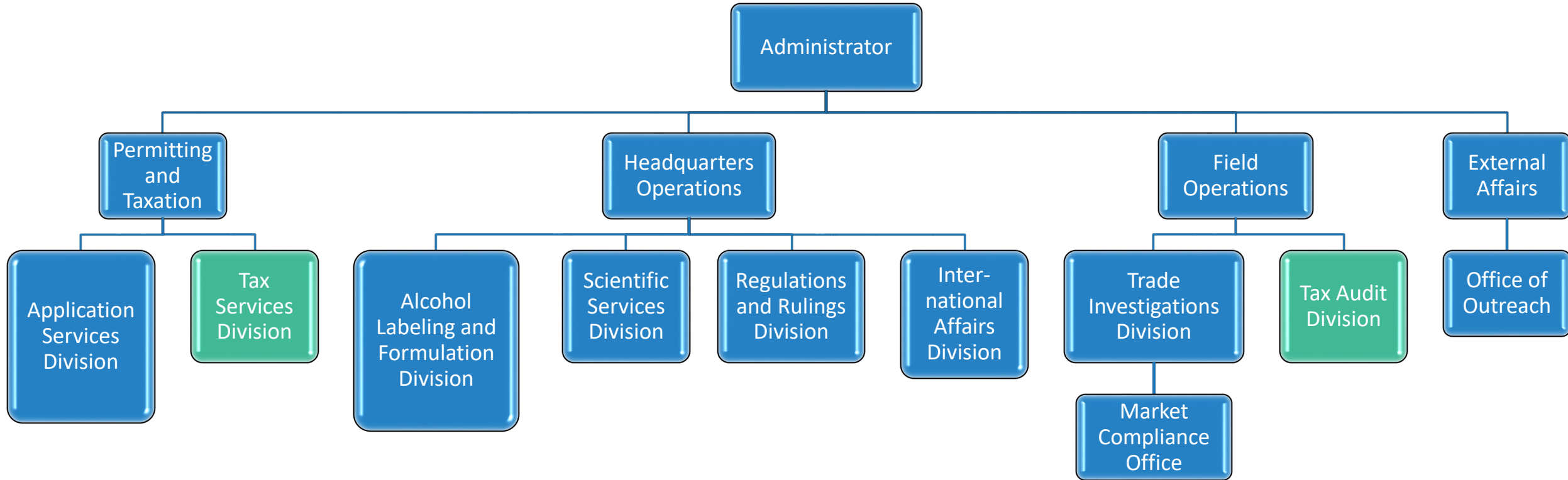
PROTECT the consumer by ensuring the integrity of alcohol products

ENSURE only qualified businesses enter the alcohol and tobacco industries

PREVENT unfair and unlawful market activity for alcohol and tobacco products



TTB Organizational Chart





Permitting and Taxation National Revenue Center

Tax Services Division: Processes tax returns, operational reports, and claims

- Located in Cincinnati, Ohio
- Toll-Free: 877-882-3277
- Web Form: [Submit Online Inquiry](#)



Field Operations: TAD

Tax Audit Division (TAD): Ensures the proper payment of excise taxes and compliance with laws and regulations in a manner that protects the revenue and prevents unlawful activity through audits

- Toll free: 877-882-3277
- National Revenue Center [Contact Us Form](#)

FAET Background



Legal Framework

- **Title 26 United States Code** – Internal Revenue Code (26 U.S.C.)
- **Title 27 Code of Federal Regulations** – Alcohol, Tobacco Products, and Firearms: this presentation focuses on Part 53, which contains TTB's firearms and ammunition regulations (27 CFR Part 53)
- **Interpretive Guidance on TTB's Website** – IRS Revenue Rulings, ATF Rulings, TTB Rulings, Industry Circulars, Announcements
- **Interpretive Guidance Not on TTB's Website** – IRS Private Letter Rulings, ATF Letter Rulings, TTB Technical Advice Letters



Statutes

Title 26 United States Code

Internal Revenue Code 26 U.S.C.

- §4181 – The excise tax
- §4182 – Tax-exemptions
- §4216 – Definition of price (inclusions, exclusions, & constructive sale price)
- §4218 – Business use
- §4221 – Tax-free sales
- §6416 – Condition to allowance, price readjustments
- There are additional statutes related to penalties



Regulations

27 CFR Part 53 – Manufacturers Excise Tax-Firearms and Ammunition

- Federal regulations are the primary means by which federal agencies exercise their statutory authority to carry out the federal government's regulatory intentions.
- TTB has issued regulations implementing its previously mentioned FAET related statutory authorities at 27 CFR part 53.



Revenue Rulings

- An official interpretation by TTB or its predecessor agencies (IRS/ATF) concerning the Internal Revenue Code, related statutes, tax treaties, and regulations
- Represent the conclusions of TTB regarding the application of the law to the pivotal facts stated in the revenue ruling. TTB generally relies on the FAET related rulings of its predecessor agencies (IRS/ATF).



Additional Sources

- Industry Circulars
 - Issued by TTB to guide industry and establish best practices
- Technical Advice Letter
 - Issued to a specific taxpayer asking a specific question
- Other guidance on TTB website
- Instructions on the Tax forms



Ad Valorem Tax

FAET is an ad valorem excise tax. It is based according to price and is typically imposed at the time of the sale transaction.

Other commodities that we regulate (except large cigars) are taxed based on units, pounds, gallons, etc.



Where FAET Begins: 26 U.S.C. 4181

Imposition of Tax

There is hereby imposed upon the sale by the manufacturer, producer, or importer of the following articles a tax equivalent to the specified percent of the price for which so sold:

- Articles taxable at 10%:
 - Pistols
 - Revolvers
- Articles taxable at 11%:
 - Firearms (other than pistols and revolvers)
 - Shells, and cartridges



What are the Elements of a Sale?

- 27 CFR 53.11 Meaning of terms.
- Sale. (1) An agreement whereby the seller transfers the property (that is, the *title* or the substantial incidents of ownership in goods) ...
- (2) to the buyer for a *consideration* called the price, which may consist of money, services, or other things.



Disposition of Revenue



Pittman-Robertson Wildlife Restoration Act of 1937: Mandates that all FAET revenue (and bow and arrow revenue) be used for federal aid to wildlife restoration fund, hunter safety programs and maintenance of public target ranges for execution of programs. This money is distributed to the states.

Department of the Interior (Fish and Wildlife Service) is responsible for administration of the trust fund. The Secretary of the Interior can deduct up to a set amount of collected revenues for administration.

By contrast, TTB administers and collects this money and receives no portion of collections for its administrative costs.

Definitions



Definition of a Firearm

Firearms are “Any portable weapons...from which a shot, bullet, or other projectile may be discharged by an explosive.” (See 27 CFR 53.11)

Non-firearms under this definition include:

- Starter pistols
- BB guns
- Trade show guns (if firing mechanism is disabled)



Example: Training Guns & Ammunition

- Paint-ball training pistols.
- Designed to feel, weigh, and perform like a normal pistol.
- These training pistols were colorful to help indicate that they were non-lethal.



Example: Training Guns & Ammunition

- The **training pistol** is considered a taxable pistol.
 - Fits the definition of **pistol**
 - Complete as to all component parts
 - Percussion caps ignite the cartridge which contains gun powder for an explosive charge
 - Discharges a projectile



What Does Portable Mean?

- **Portability of Firearm:** TTB has interpreted the term **portable** in a common-sense manner to mean that the weapon is capable of being carried by a person.
- **ATF Ruling 97-2:** A weapon with a weight of 30 pounds or less, with additional weight for ammunition and spare parts, was considered a **portable weapon** within the definition of firearm.
- Firearms weighing more than 30 pounds may also be **portable** weapons.



Definition of a Pistol

- Pistols. Small projectile firearms which have a short one-hand stock or butt at an angle to the line of bore and a short barrel or barrels, and which are designed, made, and intended to be aimed and fired from one hand.
- **Pistols must also meet the definition of firearm in order to be taxable.**



Definition of a Revolver

- Revolvers. Small projectile firearms of the pistol type, having a breech-loading chambered cylinder so arranged that the cocking of the hammer or movement of the trigger rotates it and brings the next cartridge in line with the barrel for firing.
- **Revolvers must also meet the definition of firearm in order to be taxable.**

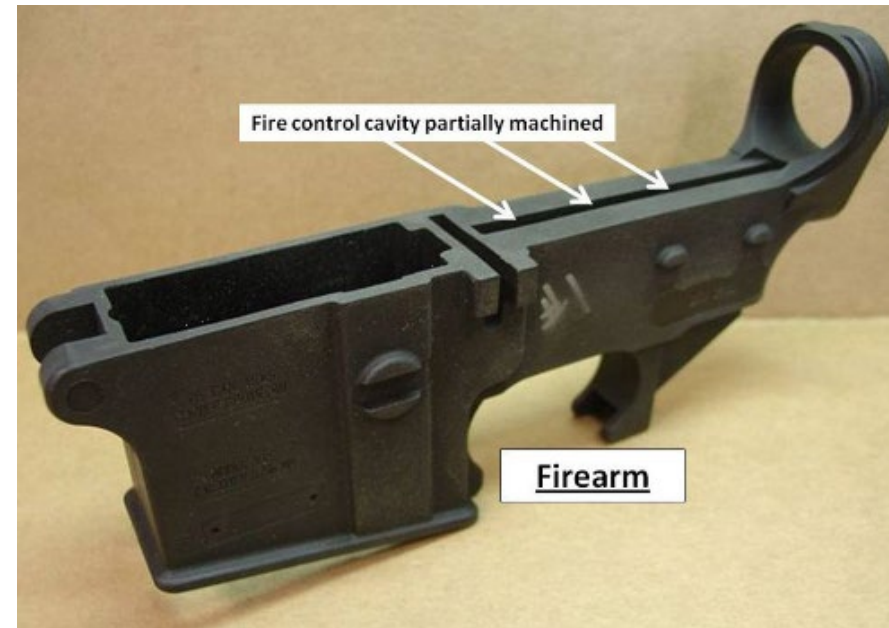


Definition of a Firearm

TTB's definition of a firearm is very different than ATF's definition under the Gun Control Act of 1968.

For instance:

- ATF considers receivers like the one pictured to be a firearm. TTB doesn't.
- ATF does not consider many muzzle loading guns to be firearms. TTB does.





Knockdown Condition

Knockdown condition: A taxable article that is unassembled but complete as to all component parts.

A manufacturer who sells a taxable article in a **knockdown condition** is liable for the tax even if they sell it as separate parts or on separate invoices.



Definition of a Firearm: ATF Rule 2021R-05

- In April 2022 ATF modified its definitions in 27 CFR 478.11 to include so called “80% Receivers”.
- For TTB, firearms in knockdown condition sold with “80% Receivers” may or may not be taxable.
- Taxability is determined on a case-by-case basis.
- Auditors will look at how complete is the receiver, what parts are included in the package, how it is marketed, and sales frequency and quantities.





Knockdown Condition – In Components

Upper Receiver



Lower Receiver



Definition of Ammunition

Shells and cartridges “Include any article consisting of a projectile, explosive, and container that is designed, assembled, and ready for use without further manufacture in firearms, pistols, or revolvers.” (See 27 CFR 53.11)



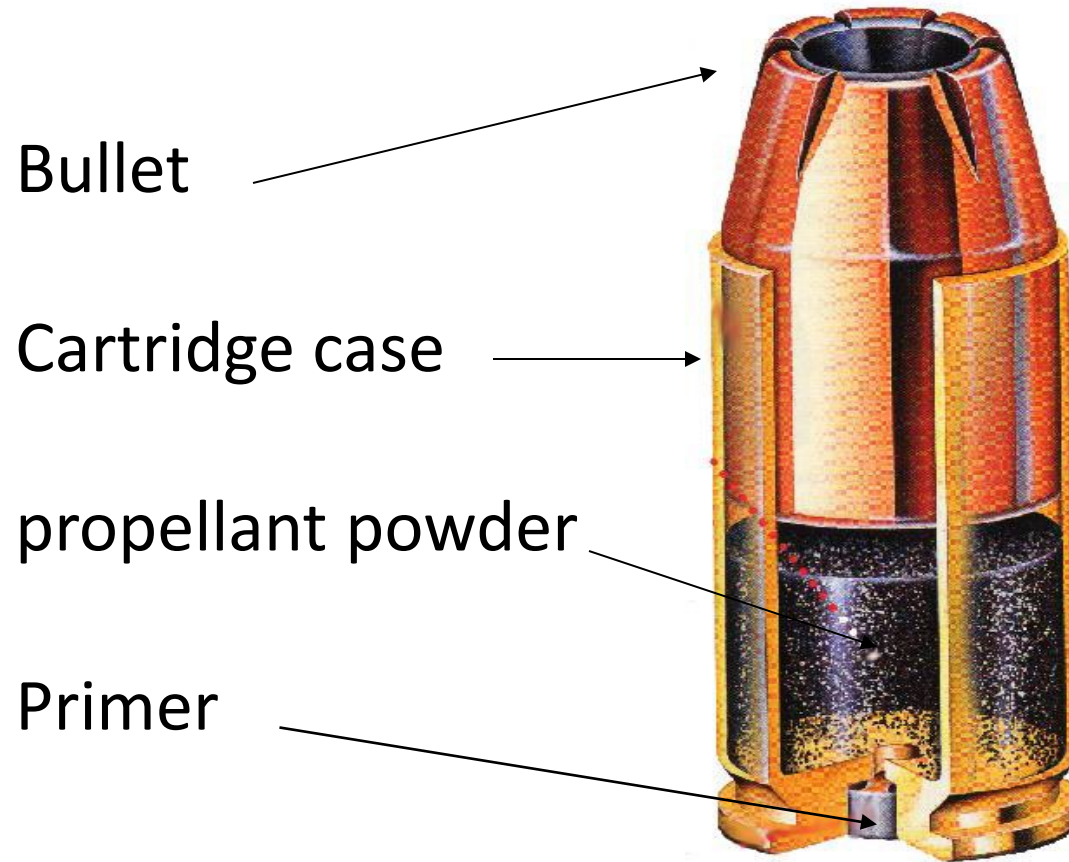
Most notable example of what doesn't fall under this definition?

Blank ammunition

(explosive and container, but no projectile)



Definition of Ammunition





Definition of Taxable Parts

Per 27 CFR 53.61(b)(2): Item “that would ordinarily be attached to a firearm during use and, in the ordinary course of trade, are packaged with the firearm at the time of sale by the manufacturer or importer.”

- Frame or receiver
- Breech Mechanism
- Trigger Mechanism
- Barrel
- Buttstock
- Forestock
- Handguard
- Grips
- Buttplate
- Fore end cap
- Trigger Guard
- Sight or set of Sights (Iron or Optical)
- Sight Mount or set of sight Mounts
- Choke
- Flash hider
- Muzzle Brake
- Magazine



Definition of Nontaxable Parts

Per 27 CFR 53.61(b)(3): “Parts sold with firearm that duplicate component parts that are not includable in the price for which the article is sold.”

- Extra Barrels
- Extra sights
- Optical sights & mounts (in addition to iron sights)
- Spare magazines
- Spare cylinders
- Extra Choke Tubes
- Spare pins



Definition of Nontaxable Accessories

Per 27 CFR 53.61(b)(4): “Items that are not designed to be attached to a firearm during use or that are not, in the ordinary course of trade, provided with the firearm at the time of the sale by the manufacturer or importer are not includible in the price for which the article is sold.”

- Cleaning Equipment
- Slings
- Slip on recoil pads
- Tools
- Gun cases for storage & transportation
- Knives, belt buckles, or medallions
- Locks and manuals

FAET Return



Pay.gov

- TTB recommends using Pay.gov to file returns and pay taxes. Learn more at

<https://www.ttb.gov/what-we-do/online-services/pay-gov>

- **Important Point:** Pay.gov uses ACH for electronic fund transfers. The payment must be completed no later than 4 pm ET one business day prior to the due date.





Paper Filing

- The paper version of the tax return, TTB F 5300.26, is available at <https://www.ttb.gov/images/pdfs/forms/f530026.pdf>
- The latest version of the tax return must be used. The version dated 06/2017 was released in February 2019.
- EFT payments to go along with paper filing may be made outside of Pay.gov. Advance notice is required and there is a minimum four quarter commitment. See <https://www.ttb.gov/tax-audit/tax-payments-by-eft> for details on how the payments are made.



Payment made via the Mail

- TTB will accept FAET payments made via the USPS (i.e. checks and money orders). However, TTB is not responsible in-transit mail.
- If a payment was lost or stolen, then contact TTB, provide evidence such as a police report and/or insurance claim. Submit a TTB F 5600.38 “Application for Extension of Time for Payment of Tax”. This will request additional time to make the payment, explain why, and hopefully avoid any penalties and interest.
- Best way to avoid this problem is to file and pay via Pay.gov.



Return and Payment Due Dates

- **Quarterly returns** (the most common type) must be filed by the last day of the month following the end of the quarter. See 27 CFR 53.153 for details.
- **Example:** return due 7/31/2020 for quarter ending 6/30/2020
- Adjustments are made if the due date falls on a Saturday, Sunday, or legal holiday. TTB posts a schedule each year that accounts for this (e.g. <https://www.ttb.gov/tax-audit/2020-firearms-due-dates>)



FAET Return Details

- **Part I – General**
- **Part II – Calculation of Taxes on Sales or Uses During This Tax Period**
- **Part III – Calculation of Tax Liability for this Tax Period**
- **Schedule A – Increasing Adjustments**
- **Schedule B – Decreasing Adjustments**
- **Certification**



FAET Return Part I - General

OMB No. 1513-0094		
DEPARTMENT OF THE TREASURY ALCOHOL AND TOBACCO TAX AND TRADE BUREAU		
FEDERAL FIREARMS AND AMMUNITION QUARTERLY EXCISE TAX RETURN		
<i>(Please read the instructions before completing this form)</i> <i>(Send us the original – keep a copy for your records)</i>		
PART I - GENERAL		
1. Business name and location <i>(number, street, city, state, and zip code)</i> <div></div>	3. Employer Identification Number (EIN) <div></div>	4. Daytime telephone number <div></div>
	5. Form of payment <i>(if any)</i> <div><input type="checkbox"/> Check <input type="checkbox"/> Other <i>(Specify)</i> <div></div> <input type="checkbox"/> EFT <input type="checkbox"/> Money Order</div>	6. Type of return <i>(Check all that apply)</i> <div><input type="checkbox"/> Quarterly <input type="checkbox"/> Annual <input type="checkbox"/> One-time/Occasional <input type="checkbox"/> Final <input type="checkbox"/> Amended</div>
	Note: Make your check or money order payable to the Alcohol & Tobacco Tax & Trade Bureau, and write your Employer Identification Number (EIN) on your check or money order. If you send a check, see the paper check conversion notice on page 2.	
<input type="checkbox"/> Address changed since last return was filed		
2. E-mail address <div></div>	7. Tax period <i>(Enter the year and select only one quarterly period)</i> Year <div></div> <div><input type="checkbox"/> January 1 - March 31 <input type="checkbox"/> July 1 - September 30 <input type="checkbox"/> April 1 - June 30 <input type="checkbox"/> October 1 - December 31</div>	



FAET Return Part II – Calculation of Taxes

PART II – CALCULATION OF TAXES ON SALES OR USES DURING THIS TAX PERIOD <i>(Please refer to the appropriate instructions before completing Items 8 – 22)</i>			
Taxes Calculated for This Tax Period	Taxable Articles		
	Handguns <i>(Pistols and Revolvers)</i> (a)	Other Firearms <i>(Rifles, Shotguns, Machine Guns, etc.)</i> (b)	Ammunition <i>(Shells and Cartridges)</i> (c)
8. The sales price of all articles sold and/or put to a business use	\$	\$	\$
9. The sales price of all articles sold tax-exempt			
10. The sales price of all articles sold tax-free			
TTB Tax-free Registration Number:			
11. Taxable sales and uses <i>(Item 8 minus Item 9 and Item 10)</i>			
12. Eligible adjustments - included excise tax			
13. Eligible adjustments - non-taxable articles			
14. Eligible adjustments - other			
15. Adjusted taxable sales and uses <i>(Item 11 minus Items 12, 13 and 14)</i>			
Tax Rate	10%	11%	11%
16. Total tax <i>(Multiply Item 15 by the Tax Rate above)</i>	\$	\$	\$



FAET Return Part III – Calculation of Taxes

PART III – CALCULATION OF TAX LIABILITY FOR THIS TAX PERIOD <i>(Before making entries on Items 18 - 22, complete Schedules A and B on page 2 of this form)</i>	
17. Total of Items 16(a) + 16(b) + 16(c)	\$
18. Increasing adjustments from Item 27, Schedule A <i>(Prior quarters adjustments)</i>	
19. Gross tax <i>(Item 17 plus Item 18)</i>	
20. Decreasing adjustments from Item 34, Schedule B <i>(Cannot exceed Item 19) (Prior quarters adjustments)</i>	
21. Net tax due with this return <i>(Item 19 minus Item 20. Cannot be less than zero)</i>	
22. Amount paid with this return	\$

Note, lines 18 and 20 are for prior period adjustments. Part II (lines 8 through 16) accounts for current period activity; Part III calculates total tax due and accounts for any necessary adjustments related to sales from a prior period.



Schedule A – Increasing Adjustments

SCHEDULE A — INCREASING ADJUSTMENTS <i>(See instructions)</i>			
Explanation of Increasing Adjustments (a)	Amount of Adjustments		
	Tax (b)	Interest (c)	Penalty (d)
23.	\$	\$	\$
24.			
25.			
26. Totals of Columns (b), (c), and (d)	\$	\$	\$
27. Total of Item 26, Columns (b), (c), and (d)			\$



Schedule B – Decreasing Adjustments

SCHEDULE B — DECREASING ADJUSTMENTS <i>(See instructions)</i>		
Explanation: Select an allowable adjustment from the drop-down (Provide details on row below.) (a)	Amount of Adjustments	
	Tax (b)	Interest (c)
28. <div></div>	\$	\$
29.		
30.		
31.		
32. <input type="checkbox"/> Yes <input type="checkbox"/> No Conditions to Allowance: In Compliance with 26 U.S.C. 6416(a)(1), I/We certify that I/we sold the article(s) at a tax-excluded price, repaid the amount of tax to the buyer, or have obtained written consent from the buyer to make this/these claim(s)/adjustment(s). <i>(See Instructions)</i>		
33. Totals of Columns (b) and (c)	\$	\$
34. Total of Item 33, Columns (b) and (c)		\$



Certification

CERTIFICATION		
Under penalties of perjury, I declare that I have reported all transactions and tax liabilities required by law and regulations. I have examined this return <i>(including any attached explanations, statements, schedules, and forms)</i> and to the best of my knowledge and belief it is true, complete, and correct. If I took adjustment(s) in Schedule B, I have met all requirements of Title 26, United States Code and the applicable Federal regulations, Title 27, Code of Federal Regulations, Part 53.		
35. Date	36. Signature <i>(Original Signature Only)</i>	37. Print Name and Title

It is the industry member's responsibility to ensure an **authorized person** signs the return.

Per 27 CFR 53.21, "An individual's signature on a return, statement, or other document made by or for a corporation or a partnership shall be prima facie evidence that the individual is authorized to sign the return, statement, or other document."



Informational Resources

Title 27 Code of Federal Regulations (CFR), Part 53

- Available online: <https://www.ecfr.gov/current/title-27/chapter-I/subchapter-C>

TTB.gov

- FAET homepage: <https://www.ttb.gov/firearms>
- FAET Fact Sheet: https://www.ttb.gov/system/files/2024-09/TTB-FAET-Fact_Sheet-v1.2.pdf
- Forms: <https://www.ttb.gov/firearms/forms>
- Pay.gov: <https://www.ttb.gov/what-we-do/taxes-and-filing/pay-gov>

TTB Newsletter

- Subscribe to TTB's weekly newsletter: <https://www.ttb.gov/public-information/ttb-newsletter>

National Revenue Center

- Full contact info: <https://www.ttb.gov/who-we-are/contact-us/nrc-call-center>



Thank you!

Please take a few minutes to
provide feedback on this
session:

<https://www.ttb.gov/survey>



Contact Us:

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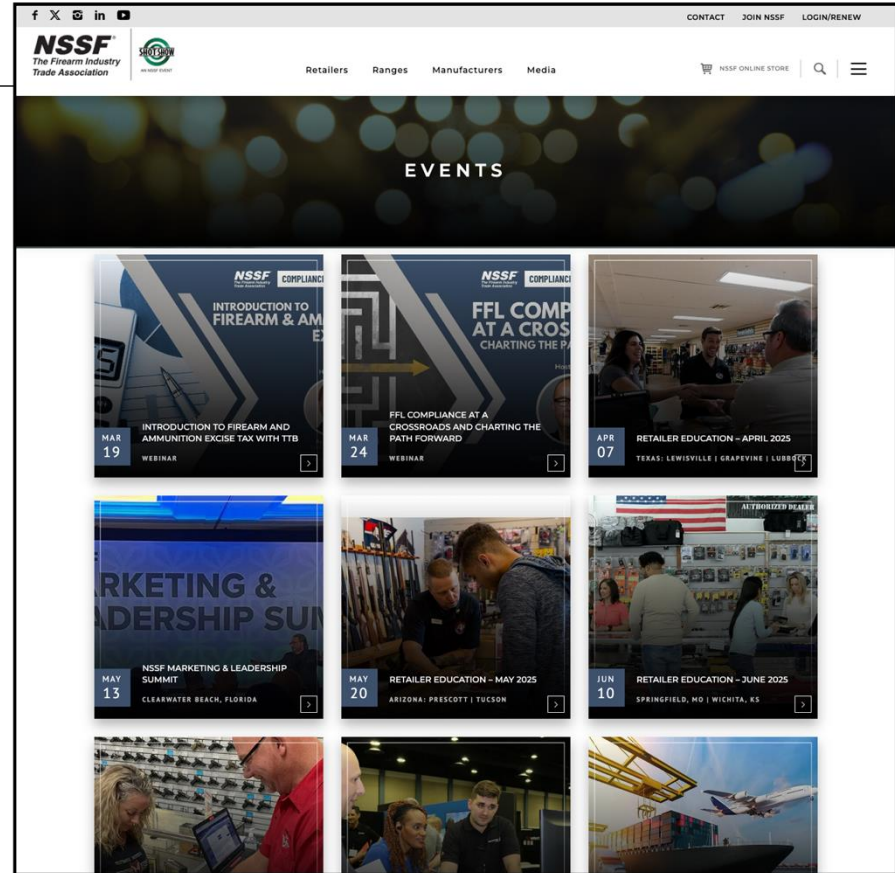
Partner with a Payer

NSSF.org/partner-with-payer

The screenshot displays the NSSF website's 'Partner with a Payer' page. The header includes the NSSF logo, navigation links (Retailers, Ranges, Manufacturers, Media), and a search bar. The main banner reads: 'PARTNERS IN SUSTAINABLE FUNDING AND CONSERVATION FOSTER HUNTING, THE SHOOTING SPORTS, ARCHERY AND SPORT FISHING'. Below this, a video player is featured with the title 'The Teamwork of Conservation: Partnership in Manufacturing and Wildlife'. The video description states: 'Hunters and Anglers, as well as excise taxes paid by Firearms and Ammunition manufacturers are the primary drivers of restoration and conservation. In this video we learn about the contributions of one of these payers and how these funds are used to restore habitat, wildlife, and create new shooting and angling opportunities for American sportsmen and women.' A 'Watch on YouTube' button is visible. To the right, a 'Featured News' section lists three articles: 'New Partner with a Payer Video Showcases How Manufacturers and Agencies Work Together for Wildlife' (March 6, 2023), 'New Partner with a Payer Video Showcases How Firearm and Ammunition Industry Supports Elk Restoration in Pennsylvania' (February 27, 2023), and 'Behind the Scenes at Beretta USA with U.S. Fish and Wildlife Service' (October 28, 2024). At the bottom, a section titled 'Elk Restoration with Pittman-Robertson Funding' explains the importance of elk in Pennsylvania and how excise taxes fund conservation.

Upcoming Events

[NSSF.org/Events](https://nssf.org/Events)



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