



By Jay McAninch, ATA CEO/President

Washington Passes Simpler, More Equitable Archery Tax

As 2004 was ending, the archery industry succeeded in closing a nearly 8-year-old loophole in the archery federal excise tax (FET) laws that cost state wildlife agencies several million dollars in federal aid from the Pittman-Robertson Wildlife Restoration Program.

That loophole was fixed when new federal excise taxes took effect for the archery industry Nov. 22, 2004. Starting that day, bows with draw weights less than 30 pounds are exempt from the FET, and broadheads are now taxed at 11 percent instead of 12.4 percent.

In addition, a new \$0.39 tax will be assessed on each arrow shaft. This flat tax is the most controversial part of the new tax package, and it applies only to the first sale of all arrow shafts, foreign or domestic. The tax applies whether the shaft is bare or if components are attached. One reason the ATA Board of Directors agreed to the flat tax was to ensure the IRS would never define an archery shop as an arrow manufacturer simply because it cuts shafts and attaches inserts, nocks and fletching.

Applying the FET

The new FET will be applied as follows:

The 39-cent tax on the first sale of arrow shafts will be adjusted annually for inflation, and applies only to arrows 18 inches or longer. Shafts for arrows less than 18 inches that can be used in a taxable bow, such as a crossbow, are also taxable.

An 11 percent FET will be paid on the first sale of quivers and broadheads. Broadheads were previously taxed at 12.4 percent.

An 11 percent FET will be paid on the first sale of points, which is a reduction from the previous 12.4

percent excise tax rate.

An 11 percent FET will be paid on the first sale of bows with a peak draw weight of 30 pounds or more. This effectively removes youth bows from the FET.

An 11 percent FET will be paid on the first sale of any accessory suitable for inclusion in or attachment to a taxable bow.

In case there's any confusion, let me state for the record that no archery retailer, dealer or distributor will be responsible for any FET, unless they import directly or manufacture taxable products. In fact, the new law applies only to the manufacturer or importer of the archery equipment described above.

I've been asked many times about the flat tax's hard impact on cheaper arrows, especially wooden arrows made from dowels. We knew this would happen with the 39-cent flat tax, but we honestly did not have another option the IRS and Treasury Department would accept. We know this tax will have a significant impact on those who manufacture youth arrows and inexpensive arrows, as well as their customers who can't afford the better carbon and aluminum arrows. This tax will cause major price adjustments in low-cost arrows and could hurt business for some arrow companies. Those companies with a product line that includes arrows in the middle to high end of the market have capacity to adjust margins, although they will also experience financial impacts from the new shaft tax.

I've asked youth-arrow manufacturers to help me craft a definition for

youth arrows that separates these arrows from all arrows capable of being used in adult bows. The best, most-enforceable definition I've heard so far is to group all wood or fiberglass arrows measuring a 1/4- or 5/16-inch in diameter as youth arrows. If this definition clearly designates the shafts for use only by kids, we will seek an exemption for them.

Our extremely cautious movement on this issue reflects our commitment to not create another inadvertent tax loophole. Archery companies are no different from any other businesses in that they make every effort to minimize their tax burdens. If you doubt that statement, just check out how many 29-pound bows are on the market in 2005 as opposed to 30-pound bows.

Tough Choices

I can assure you the ATA Board discussed every possible alternative before agreeing to the flat tax on arrow shafts. The Board held an emergency conference call Dec. 3, 2004, and nearly everyone agreed the 39-cent FET was substantially better than the alternative, which would have taxed all retailers, dealers, manufacturers and anyone else who assembled finished arrows.

Although we'll continue to explore an exemption for youth arrows, the prospects for further changes are not great. Our primary concern now is to help every company work through the transition, evaluate the impact of the tax changes, and answer questions that dealers and retailers might have about the changes.

Forgotten Contributions?

Through the process of working on the FET the past five years, I found our current method of collecting the FET directly from manufacturers has some unfortunate consequences. Many archers and bowhunters, as well as many state wildlife agency staff, have lost sight of the substantial contributions the archery industry makes to American conservation. Everyone has heard the Pittman-Robertson Wildlife Restoration Program is funded by hunters and shooters, but the true economic force behind state and federal conservation programs is the firearms and archery industries. In fact, the FET is paid quarterly and those checks are written long before merchandise reaches the retail stores.

The sad fact is that despite years of effort promoting the notion that hunters and shooters pay the FET, many sportsmen do not believe they contribute to the Pittman-Robertson program. Truth be told, hunters and shooters have no way of knowing how much FET they “pay” as individuals, because the tax is applied to the product several steps before it reaches them on the consumer end. For example, when a bowhunter purchases a \$500 bow, an FET payment of \$55 will have been paid several months earlier, eventually finding its way to state wildlife agencies.

Unfortunately, hunters and shooters seem to disconnect the archery, firearms and fishing industries from the very successful Pittman-Robertson conservation effort. Despite the fact hunters and shooters can't find evidence that they pay the tax, they seem to disregard the fact the industry pays it.

A Sportsmen's Heritage Tax Proposal

I wish we could install software in every cash register to print the customer's FET contribution on their sales receipt every time they buy hunting or shooting gear. At the end of the year, every hunter and shooter could gather all their receipts, total up their FET contributions, and better



The new 39-cent federal tax on the first sale of all arrow shafts, foreign or domestic, ensures the IRS will never define an archery retailer, dealer or distributor as an arrow manufacturer, and subject to federal excise taxes on arrows they assemble in-house. (ATA Photo by Patrick Durkin)

appreciate their impact on American conservation efforts.

I'm guessing if hunters and shooters knew their individual contributions they would ask their state agency how much it spends on archery ranges, how much it allocates to the National Archery in the Schools Program, and whether it's striving to improve archery and bowhunting programs through that ATA's groundbreaking Memoranda of Understanding program.

As a result of the simple logic of a retail FET, we recently proposed that hunters and shooters pay the FET directly at the cash register. In fact, in January 2004 I wrote a proposal called the “Sportsman's Heritage Tax,” which calls for a retail tax on all hunting and shooting equipment and products. Even though the retail tax would be tiny, with today's cash-register technology, bar coding, Internet sales and electronic purchases, all retailers could quickly calculate the correct amount and identify the tax to consumers on their receipts. The tax would be applied to all hunting and fishing products fairly and consistently, thereby making the tax equitable for all hunters, shooters and anglers.

This would also clean up inequities in the current FET, where some products are taxed and others aren't. For example, a retail-collected

FET would end the unfair practice of taxing bow sights but not rifle scopes. The Sportsmen's Heritage Tax would also include hunting clothes and footwear, which currently don't pay the FET. Resolving these inconsistencies would remove a source of angst for many small manufacturers. An added benefit is that a retail FET would make all hunters and anglers constantly aware of their contributions, and demand accountability from their state agencies.

Conclusion

As you can see, the recent breakthrough on the archery FET solved an inequity in our tax laws. The ATA will continue to explore ideas on the best ways to ensure the FET is collected fairly by the federal government and used wisely at the state level. We have also been working with the IRS and U.S. Fish & Wildlife Service to ensure the IRS applies the FET regulations uniformly across the country. In addition, we will continue working with states to find projects where FET funding can be used on educational and shooting-range projects.

If you have questions, ideas or suggestions about the FET, I encourage you to contact Kelly Kelly at our ATA/BPA offices: (866) 266-2776, ext. 3, for more information. ←