TTB Alcohol and Tobacco Tax and Trade Bureau
U.S. Department of the Treasury

Firearms and Ammunition Excise Tax (FAET)

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What is Firearms and Ammunition Excise Tax (FAET)?

Firearms and Ammunition Excise Tax (FAET) is a tax imposed by Chapter 32 of the Internal Revenue Code (26 U.S.C. 4181) on the sale of firearms and ammunition by manufacturers and importers. TTB is responsible for collecting FAET and enforcing the related provisions of the Internal Revenue Code (IRC).

Imposition of Tax

FAET is generally imposed on the sale by the manufacturer or importer of certain taxable articles, specifically: pistols, revolvers, firearms (other than pistols and revolvers), and shells and cartridges.

The FAET tax rate is a percentage of the sale price, with the percentage rates established by law as follows:

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

For FAET purposes, a sale occurs when the manufacturer or importer transfers title or the substantial incidents of ownership in the goods to the buyer for a consideration called the price (which may consist of money, services, or other things).

In addition to sales transactions, FAET is imposed when the manufacturer or importer of a taxable article leases the article or puts it to a business use.

Who is liable for FAET?

Manufacturer – Includes any person who produces a taxable article from scrap, salvage, or junk material, or from new or raw material, by processing, manipulating, or changing the form of an article or by combining or assembling two or more articles.

- **"Fabricator" vs. Manufacturer** – Under certain circumstances, such as where a person manufactures a taxable article for another person who provides the materials and retains title to the materials during manufacture and to the finished article, the person for whom the taxable article is manufactured — and not the person who actually manufactures it (sometimes referred to as a "fabricator" in such scenarios) — will be considered the manufacturer for tax purposes.
- **Gunsmithing** – Repair work and in-kind replacement of parts on an existing firearm (i.e., gunsmithing work) generally is not considered manufacturing activity. Gunsmithing-type work can amount to manufacturing activity if the work materially changes the firearm so that a different article results. See, e.g., Rev. Rulings 58-586, 64-202 and 69-325. Where a gunsmith engages in manufacturing activity, whether the gunsmith or their customer is considered the manufacturer for tax purposes depends on factors such as those mentioned in the fabricator scenario.

Importer – Any person who brings a taxable article into the United States from a source outside of the United States, or who withdraws such an article from a customs bonded warehouse for sale or use in the United States.

Firearm Kits – A manufacturer who sells taxable articles unassembled in kit form is liable for FAET so long as the kit is complete as to all component parts (i.e. the kit has all the parts that are required for a complete firearm, also known as "knockdown condition").

Ammunition Reloaders – The reloading of used casings or shells is an act of manufacture that subjects the reloader to FAET liability upon the sale or taxable use of the shell or cartridge. However, the reloader is not subject to FAET if the reloader reloads casings or shells provided by a customer and returns the identical reloaded casings and shells back to the customer (i.e., same brass in/same brass out). In addition, the reloader is not subject to FAET if the reloaded shells or cartridges are for the reloader's personal use.

Personal Use – FAET does not attach in cases where a manufacturer or importer incidentally manufactures or imports a taxable article for personal use.

Definition of Taxable Articles

Firearm – Any portable weapon, such as rifles, carbines, machine guns, shotguns, or fowling pieces from which a shot, bullet or other projectile may be discharged by an explosive. (Note — Black powder firearms are taxable firearms).

Pistol – Any small projectile firearm which has a short one-hand stock or butt at an angle to the line of the bore and a short barrel or barrels, and which is designed, made, and intended to be aimed and fired from one hand.

Revolver – Any small projectile firearm 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.

Shells and cartridges – Any article consisting of a projectile, explosive, and container that is designed, assembled, and ready for use without further manufacture in firearms, pistols and revolvers.

FAET Tax-Exempt and Tax Free Sales

Tax-exempt sales fall into the following categories:

National Firearms Act (NFA) Firearms – There is no FAET liability on the sale of an NFA firearm if the NFA transfer tax imposed under 26 U.S.C. 5811 has been paid.

Sales to the Military and Coast Guard – Purchases made with funds appropriated to a "military department" or the Coast Guard are exempt from FAET.

- The "military departments" are the Department of the Army, the Department of the Air Force, and the Department of the Navy. Included in the Department of the Navy are naval aviation and the Marine Corps [; included in the Department of the Air Force is the Space Force].
- The manufacturer or importer must maintain supporting documentation establishing the right to the exemption. Supporting evidence includes clearly identified orders or contracts or a signed statement from the military department or Coast Guard.
- The manufacturer or importer generally must make the sale directly to the military department or Coast Guard.

50-Gun Exemption – Any pistol, revolver, or other firearm is exempt from the tax if it was manufactured or imported by a person who manufactures or imports fewer than 50 total pistols, revolvers, and other firearms during the calendar year.

The IRC also provides for certain tax-free sales. Examples of tax-free sales include sales for export and sales for use in further manufacturing.

Disposition of Revenue

The Pittmann-Robertson Act of 1937 mandates that all FAET revenue (and bow and arrow revenue) be used for Federal aid for wildlife conservation and recreation programs, including hunting, fishing, and recreational shooting. The Department of the Interior (Fish and Wildlife Service) places the revenue in a trust fund and distributes it to the states.

FAET Overview

Questions? Contact Us