



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Contacts: Laura Hayes, Lara Birkes
202-224-4515

"THE ARCHERY EXCISE TAX SIMPLIFICATION ACT OF 2003" INTRODUCTORY STATEMENT

MR. PRESIDENT, along with my colleagues, Senators Hatch, Miller, Bayh and Grassley, I am pleased to introduce the Archery Excise Tax Simplification Act of 2003. This bill will protect funding for the Wildlife Restoration Program (the Pittman-Robertson fund) by simplifying administration and compliance with the excise tax and closing an unintended loophole that allows arrows assembled outside the United States to avoid the excise tax imposed on domestic manufacturers.

The creation of the Wildlife Restoration Program is one of the great success stories of cooperation among America's sportsmen and women, state fish and wildlife agencies, and the sporting goods industry. Working together with Congress, Americans who enjoy the outdoors volunteered to pay an excise tax on sporting arms and ammunition to be used for hunter education programs, wildlife restoration, and habitat conservation.

Originally the archery industry did not participate in this program. However, the growth of bow hunting in the '60s and '70s led the archery industry to decide they would support the excise tax that funds state game agencies. As a result, the tax was extended to archery equipment in 1975. The tax on archery equipment was meant to parallel the tax that hunters were paying on firearms and ready-to-fire ammunition. The archery industry and bow hunters are pleased to contribute to the success of the Wildlife Restoration Program.

Because current law taxes components and not arrows, foreign manufacturers are selling arrows in the United States without paying the excise tax that is imposed on arrows made in the United States. Not only are these untaxed imports unfair to American workers, they threaten the integrity of the Wildlife Restoration Fund.

This issue is important to companies in Montana. Mike Ellig, a manufacturer of archery products in Bozeman, Montana, pays this tax. He supports the tax, but asks that it be fair. Mike's company, Montana Black Gold, and the archery industry want to support the Wildlife Restoration Program. But the way the tax works today, American

manufacturers are at a competitive disadvantage. That is why the 800 members of the Montana Bowhunters Association support this measure.

This legislation will close the loophole that allows imported arrows to avoid the excise tax paid by domestic manufacturers. While keeping the current 12.4 percent tax on arrow components, the proposal will impose a tax of 12 percent on the first sale of an arrow assembled from untaxed components. U.S. manufacturers and foreign manufacturers will be treated equally.

Since this loophole was inadvertently created in 1997, archery imports (mostly finished arrows), increased from \$430,000 in 1998, to \$1.6 million in 1999, to \$3.2 million in 2000, to \$7.8 million in 2001 and to \$11.0 million in 2002 (through November). If Congress does not act quickly to close this loophole, domestic manufacturers will be forced to relocate outside of the United States. They simply cannot afford to lose market share for a fifth year to competitors who do not pay the same tax they pay. If a few more move overseas, the rest will follow. The result will be a catastrophic loss of revenue for the Federal Wildlife Restoration Fund.

Current law also taxes non-hunters, contrary to Congressional intent. To relieve non-hunters from the requirement to pay for wildlife management, the legislation would eliminate the current-law tax on bows with draw weights of less than 30 pounds. Those bows are not suitable or, in many states, legal for hunting. To preserve the revenue for the Wildlife Restoration Fund, the bill would retain the current tax on bows that are suitable for hunting.

The proposal would also clarify that broadheads are an accessory taxed at 11 percent rather than as an arrow component taxed at 12.4 percent. This will correct the ambiguity in the 1997 Act that led to the misclassification of broadheads.

In summary, the Arrow Excise Tax Simplification Act of 2001 would accomplish worthy objectives. It would close the loophole that allows foreign imported arrows to escape the tax and remove the tax on youth and recreational archery equipment that were never meant to be taxed. We will accomplish these goals while protecting the Wildlife Restoration Program by ensuring that there is no significant diminution of revenues collected by the archery excise tax. The Joint Committee on Taxation estimates the proposal will decrease revenues by \$5 million over ten years resulting in small changes in outlays from the Federal Aid in Wildlife Fund. Failure to close the import loophole will eviscerate the archery tax base resulting in devastating losses to the Fund.