



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

December 14, 2004

H.R. 5394

**An act to amend the Internal Revenue Code of 1986
to modify the taxation of arrow components**

As cleared by the Congress on December 8, 2004

Enacting H.R. 5394 would reduce both excise tax revenues and direct spending in fiscal year 2005. CBO and the Joint Committee on Taxation (JCT) estimate that both the reduction in revenues and spending would be about \$1 million, resulting in no net effect on the federal deficit.

The act would modify a portion of the American Jobs Creation Act of 2004 (Public Law 108-357) that was enacted in October 2004. That law imposed a 12 percent excise tax on all finished arrows and a 12.4 percent excise tax on all unassembled arrow components. H.R. 5394 would void those tax rates and instead impose a flat tax of 39 cents on the sale by the manufacturer, producer, or importer of any arrow shaft, whether sold separately or as part of an assembled arrow. It would impose an 11 percent tax on points, including broadheads. No other arrow components would be taxed. The flat tax would apply to articles sold by the manufacturer, producer, or importer after March 31, 2005. Until that date, there would be no excise tax on arrows, and arrow components would be taxed as they were prior to the enactment of Public Law 108-357.

JCT estimates that the revenue loss from the temporary lack of excise taxes on arrows would be approximately \$600,000 in fiscal year 2005, with no effect thereafter. That loss would reduce amounts deposited in the federal aid to wildlife restoration fund. As a result, CBO estimates that direct spending would decline in 2005 by an equivalent amount.

The CBO staff contact for this estimate is Laura Hanlon. This estimate was approved by G. Thomas Woodward, Assistant Director for Tax Analysis, and Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.