

GAO Highlights

Highlights of [GAO-24-106569](#), a report to the Ranking Member, Committee on Finance, U.S. Senate

Why GAO Did This Study

Federal excise taxes on sport fishing and archery equipment paid by manufacturers, producers, and importers help fund fish and wildlife conservation. However, the growth of electronic commerce has created situations where U.S. consumers may not know that they are importers responsible for paying excise taxes.

GAO was asked to review issues with collecting excise taxes on direct-to-consumer imports of sport fishing and archery equipment. This report examines (1) numbers and types of taxpayers liable for and paying these excise taxes, (2) compliance challenges for consumer importers, and (3) the extent to which IRS's and agencies' efforts to collect the taxes from consumer importers align with the criteria for a good tax system.

GAO analyzed federal laws, regulations, and IRS guidance and data on sport fishing and archery excise taxes. GAO interviewed federal agency officials and industry, state fish and wildlife, and other stakeholders. GAO reviewed agency documentation and assessed agencies' efforts against established GAO criteria for a good tax system.

What GAO Recommends

GAO is recommending that Congress consider making U.S. online marketplaces responsible for sport fishing and archery excise taxes on consumer import sales in which they are involved. GAO is also making two recommendations to IRS to consolidate and make existing excise tax guidance easily accessible and develop guidance for consumers to calculate and pay the taxes. IRS agreed with GAO's recommendations.

View [GAO-24-106569](#). For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudyj@gao.gov.

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EXCISE TAXES

Action Needed to Improve Compliance for Sport Fishing and Archery Imports

What GAO Found

The Internal Revenue Service (IRS) collects excise taxes from manufacturers, producers, and importers on the sale of sport fishing and archery equipment to help fund fish and wildlife conservation. For fiscal years 2007 through 2023, these excise taxes annually totaled, on average, about \$206 million paid by a total of about 2,500 unique taxpayers. IRS data indicate that at least 98 percent of taxpayers who paid these taxes were likely to be a business.

Depending on facts and circumstances, IRS and Department of the Treasury officials stated that a U.S. consumer could be the importer liable for excise tax if the consumer purchases sport fishing or archery equipment from a foreign seller—including through a U.S. online marketplace—and has it shipped to the U.S. However, according to IRS officials and stakeholders, such consumer importers may not be aware of their excise tax liability. GAO's analysis of IRS data shows that few consumer importers, if any, pay these excise taxes. Further, the number of consumers who may be liable for these taxes is unknown.

GAO found that if consumer importers are aware of their excise tax liability, they face challenges complying because IRS's guidance is scattered and does not include needed information. For example, IRS guidance does not address how consumer importers should calculate, file, and pay the taxes.

Agency efforts to collect excise taxes from consumer importers are not aligned with established GAO criteria for a good tax system. Although additional information from IRS could help consumer importers navigate their excise tax responsibilities, under current law collecting and enforcing the excise taxes at the consumer importer-level is burdensome and inefficient. For example:

- According to IRS officials, a U.S. consumer may need to contact a U.S. online marketplace to obtain facts about their purchase to determine if they are the liable importer. The consumer would then need to take several steps to calculate and pay the taxes, which could ultimately be less than \$10.
- IRS's efforts to collect and enforce the taxes at the consumer importer level have the potential to cost more than the taxes owed.

This inefficient process has some similar features to the challenges many states had collecting sales tax from consumers who purchased goods from out-of-state sellers. A 2018 Supreme Court decision allowed states to require out-of-state sellers to collect and remit sales taxes. In response, all but one of the 45 states with sales taxes adopted requirements that shifted tax collection obligations from sellers in online marketplaces to the company facilitating the sale.

Imposing the excise taxes higher up the distribution chain (if not purchasing directly from a foreign seller) would align with criteria for a good tax system, such as equity and efficiency. Under current law, U.S. online marketplaces can be involved in direct-to-consumer import sales and not owe the excise taxes. IRS and Treasury officials said legislation is needed to shift where the taxes are imposed. Without such legislation making U.S. online marketplaces responsible for the excise taxes on consumer import sales in which they are involved, IRS cannot readily collect excise tax revenue dedicated to conservation.