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**SF 508** – Fireworks (LSB1107SZ)

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Fiscal Note Version – New

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**Description**

**Senate File 508** legalizes the sale and use of consumer fireworks and novelties in the State of Iowa.

**Background**

The State Fire Marshal Division of the Department of Public Safety (DPS) is directed to:

- Establish a consumer fireworks seller license, including a fee schedule.
- Require all wholesalers to register.
- Adopt rules to enact various parts of the Bill.
- Establish a local fire protection and emergency medical service providers grant program to establish or provide fireworks safety education programming to members of the public.
- Enforce all laws and rules relating to this legislation.

Revenue from seller license fees and wholesaler registrations are to be deposited in the Consumer Fireworks Seller License Fee Fund under the control of the State Fire Marshal for the administration and enforcement of consumer fireworks and novelties sales. The Bill establishes annual license fees for retailers and community groups offering fireworks for sale, and creates the definition of a consumer fireworks wholesaler and establishes a registration fee of \$1,000. There are no estimates available on how many licenses and registrations would be issued.

Annual License Fees and wholesaler registration are established as follows:

- Retailer with 50% or more of floor space devoted to fireworks: \$800.
- Retailer with less than 50% of floor space devoted to fireworks: \$400.
- Community group offering first-class consumer fireworks for sale: \$400.
- Community group offering second-class consumer fireworks for sale: \$100.
- Wholesaler registration fee: \$1,000.

The Bill also establishes simple misdemeanors for violation of various requirements, with a fine of at least \$250 but no more than \$625. Simple misdemeanors also generate a 35.0% criminal penalty surcharge and \$60 in court costs.

- Simple misdemeanor fines are deposited in the General Fund.
- Criminal penalty surcharges are distributed:
  - 5.0% goes to the local government where the ticket is written.
  - 95.0% goes to the State. Of that 95.0%, 17% goes to the Victim Compensation Fund and 83.0% goes to the General Fund.
- Court costs are deposited in the General Fund.

There are no estimates available on how many simple misdemeanor tickets will be written for violations of this Bill.

**Assumptions**

**Expenditures.** The DPS estimates 2.0 FTE positions will be needed to implement **SF 508**. Salaries and support are estimated to be \$162,000 for FY 2016 and \$133,000 for FY 2017 and

subsequent years. Support costs include two computers, a vehicle, fuel, a gun, travel, and miscellaneous.

**Revenue.** The estimate of sales tax revenue uses the following assumptions:

- Taxable sales of consumer fireworks for the states of Indiana and Maine in 2014 were adjusted to allow a per-capita sale of fireworks in the Iowa estimate. This resulted in an average fireworks sales revenue estimate of \$17.1 million for Iowa.
- Growth in sales tax revenues as estimated by the Revenue Estimating Conference was used to estimate future growth in fireworks sales.
- The sales tax rate is 6.0%, and the effective local option sales tax (LOST) rate is 0.87%.

**Fiscal Impact**

**Expenditures.** To fully fund the \$162,000 of estimated costs for the State Fire Marshal Division to administer the Bill, will require sale and collection of approximately 203 retail licenses (at \$800 each), or 406 retail licenses (at \$400 each), or a combination of the two. For comparison purposes:

- Missouri has 1,200 seasonal retailers, 75 wholesale/retail distributors, 50 special fireworks distributors, and 10 wholesalers.
- Oklahoma has 14 distributors and 31 wholesalers.
- Michigan issued 676 nonpermanent and 215 permanent licenses in FY 2014.

It is not known at this time how many retailers and community groups will apply for licenses in Iowa during the first fiscal year. It is assumed that the majority of licenses issued will be for retailers.

**Revenue.** Sales tax revenue deposits to the General Fund are estimated at \$1.1 million for FY 2016 and \$1.2 million for FY 2017. Local option sales tax revenue (LOST) is estimated to be \$162,000 in FY 2016 and \$167,000 in FY 2017.

<b>Fiscal Year</b>	<b>Estimated Total Sales</b>	<b>Estimated Sales Tax Revenue</b>	<b>Estimated LOST Revenues</b>
2016	\$18,595,000	\$1,116,000	\$162,000
2017	19,227,000	1,154,000	167,000
2018	19,938,000	1,196,000	173,000
2019	20,536,000	1,232,000	179,000
2020	21,152,000	1,269,000	184,000

**Correctional Impact.** Since this is a new program, the amount of misdemeanor fines that will be collected is unknown, and the correctional impact cannot be estimated.

**Sources**

Iowa Department of Revenue and Finance  
Iowa Department of Public Safety

/s/ Holly M. Lyons

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May 11, 2015

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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