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**SF 489** – Fireworks (LSB2088SZ)

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Fiscal Note Version – New

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### **Description**

[Senate File 489](#) legalizes the sale and use of consumer fireworks and novelties. Sales would only be allowed from June 1 or June 13 (depending on the type of structure) through July 8 of each year, and December 10 through January 3 each year. The time allowed for usage of fireworks is also restricted in the Bill. The Bill would take effect immediately upon enactment.

### **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.
- Provide an application for a consumer fireworks seller's license.
- 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.

The State Fire Marshal is directed to adopt emergency rules to implement the Bill.

Revenues from seller license fees and wholesaler registrations are to be deposited in the Consumer Fireworks Fee Fund under the control of the State Fire Marshal for administration and enforcement. The Bill establishes annual license fees for retailers and community groups offering fireworks for sale, and establishes a wholesaler registration fee. Annual license fees and the wholesaler registration fee are established as follows:

- Permanent building retailer with 50.0% or more of floor space devoted to fireworks: \$1,000.
- Temporary structure retailer with at least 50.0% of floor space devoted to fireworks: \$500.
- Temporary structure retailer with less than 50.0% of floor space devoted to fireworks: \$400.
- Community group offering first-class consumer fireworks for sale: \$400.
- Retailer or 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 and court costs are deposited in the General Fund.
- Criminal penalty surcharges are distributed in the following manner:
  - 5.0% goes to the local government where the ticket is written.
  - 95.0% goes to the State. Of that 95.0%, 17.0% goes to the Victim Compensation Fund and 83.0% goes to the General Fund.

## Assumptions

### **Expenditures**

- The DPS estimates 2.0 Fire Inspector FTE positions at an annual cost of \$149,706 will be needed to implement [SF 489](#). It is assumed that three months of the salary cost would be incurred in FY 2017.
- Support necessary for enforcement is estimated to be \$103,369 in FY 2017 and \$31,375 for FY 2018. Support costs include two computers, two vehicles, vehicle depreciation, fuel, two hand guns, two rifles, two shot guns, equipment to outfit two Fire Inspectors, and miscellaneous items.
- In addition to these items, the State Fire Marshal's Division states that the services of a construction engineer to assist with reviewing plans for permanent buildings selling retail fireworks would be necessary. That cost has not been estimated and is not included in the Department's estimate to enforce the Bill.

### **Revenue**

- 2015 taxable sales of consumer fireworks in South Dakota and Tennessee were adjusted to allow a per-capita sale of fireworks in the Iowa estimate. Those states allow sales and use of fireworks only during specified seasons. This resulted in an average fireworks sales revenue estimate for Iowa of \$17.8 million in FY 2017 and \$24.8 million in FY 2018.
- Growth in sales tax revenues as estimated by the Revenue Estimating Conference was used to estimate future growth in fireworks sales.
- The Iowa sales tax rate is 6.0%; 1.0% of this goes to the Secure an Advanced Vision for Education (SAVE) program that is used for school infrastructure purposes. The effective Local Option Sales Tax (LOST) rate is 0.87%.

## Fiscal Impact

**Table 1** shows the estimated expenditures for the State Fire Marshal Division to establish and enforce the Bill.

**Table 1 – Estimated Expenditures**

|         | <u>FY 2017</u>   | <u>FY 2018</u>   |
|---------|------------------|------------------|
| Salary  | \$37,427         | \$149,706        |
| Support | \$103,369        | \$31,375         |
| Total   | <u>\$140,796</u> | <u>\$181,081</u> |

To fully fund the \$140,796 of estimated costs for the State Fire Marshal Division to administer the Bill in FY 2017 would require the sale and collection of approximately 141 retail licenses or wholesaler registration fees at \$1,000 each, 282 retailer licenses at \$500 each, 362 retail licenses at \$400 each, or a combination of these. For comparison purposes:

- Missouri has 1,200 seasonal retailers, 75 wholesale/retail distributors, 50 special fireworks distributors, and 10 wholesalers.
- Michigan issued 676 nonpermanent and 215 permanent licenses in FY 2014.
- South Dakota issued 387 temporary and holiday retail licenses (\$25/each), 26 wholesale licenses (\$500/each), and 40 special and optional retail licenses for sales to out-of-state residents only (\$1,000 each) in 2016.

It is not known at this time how many licenses would be applied for. It is assumed that the majority of licenses issued will be for temporary retailers. Given the short time periods allowed for the sale of fireworks, it may be that very few permanent structures would be built and licensed. The timing of license revenue being received by the State Fire Marshal Division in relation to the need for funds to establish a consumer fireworks program and implement the Bill may be a concern.

**Revenue.** Sales tax revenue deposits to the General Fund are estimated at \$1.1 million for FY 2017 and \$1.5 million in FY 2018. The amount from sales tax revenue allocated to the SAVE program is estimated to be \$178,000 in FY 2017 and \$248,000 in FY 2018. LOST is estimated to be \$155,000 in FY 2017 and \$216,000 in FY 2018.

**Table 2 – Estimated Revenue**

| <b>Fiscal Year</b> | <b>Estimated Total Sales</b> | <b>Estimated Sales Tax Revenue</b> | <b>Estimated SAVE Revenues</b> | <b>Estimated LOST Revenues</b> |
|--------------------|------------------------------|------------------------------------|--------------------------------|--------------------------------|
| 2017               | \$17,796,750                 | \$890,000                          | \$178,000                      | \$155,000                      |
| 2018               | 24,773,000                   | 1,239,000                          | 248,000                        | 216,000                        |
| 2019               | 25,640,000                   | 1,282,000                          | 256,000                        | 223,000                        |
| 2020               | 26,537,000                   | 1,327,000                          | 275,000                        | 231,000                        |
| 2021               | 28,482,000                   | 1,424,000                          | 285,000                        | 239,000                        |

**Correctional Impact**

There are no estimates available on how many simple misdemeanor tickets will be written for violations of this Bill. Revenue collected from misdemeanor fines collected under current law (anyone selling or exploding a firework) will be reduced. In FY 2016, there were 18 convictions under Iowa Code section [727.2](#) dealing with fireworks infractions under current law. The correctional impact will be negligible.

**Sources**

Iowa Department of Revenue  
 Iowa Department of Public Safety  
 Missouri Department of Public Safety, Office of the State Fire Marshal  
 South Dakota State Fire Marshal  
 Michigan Licensing and Regulatory Affairs

/s/ Holly M. Lyons  
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 March 10, 2017

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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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