

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6785

BILL NUMBER: HB 1188

DATE PREPARED: Dec 26, 2000

BILL AMENDED:

SUBJECT: Sales Tax on Fireworks.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the deposit of the sales tax on fireworks into a special Volunteer Fire Department Fireworks Account within the state General Fund. This bill establishes the Volunteer Fire Department Fireworks Board and authorizes the Board to make grants from the account to volunteer fire departments that do not have any firefighters who receive more than nominal consideration for their services. The bill provides that an eligible volunteer fire department must submit an application each year to be considered for a grant. The bill gives the Board discretion to determine: (1) which volunteer fire departments will receive grants; and (2) the amount of each grant. The bill also provides that money received by a volunteer fire department as a grant may be used only for firefighting equipment or firefighter training.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill requires merchants to report to the Department of State Revenue the gross retail taxes collected from the sale of fireworks. To accommodate the reporting change, the Department would have to make changes to its filing and computer systems. The Department's start-up costs of implementing these provisions are estimated to be less than \$50,000.

Explanation of State Revenues: This bill changes the distribution of revenue received from the sales tax collected on fireworks. Under current law, revenue from the sales tax on fireworks is distributed, as is all revenue from Gross Retail (Sales) and Use taxes, in the following manner: the State General Fund (59.03%), the Property Tax Replacement Fund (40.00%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%). This bill will change the distribution of sales tax revenue such that the portion collected from the sale of fireworks that is currently distributed to the state General Fund will instead be transferred to the Volunteer Fire Department Fireworks Account, an account created by this proposal. Distributions to the Property Tax Replacement Fund, the Public Mass Transportation Fund, the Commuter Rail Service Fund, and the Industrial Rail Service Fund will not change under this bill.

According to sales estimates from Craig's *Estimates of the Economic Impact of the Fireworks Industry in Indiana*, the sales tax on fireworks is expected to generate approximately \$2 M in state revenue in FY 2002. Of this amount, approximately \$1.2 M would be transferred to the Volunteer Fire Department Fireworks Account. Due to the timing of the grant process described in this bill, it is estimated that volunteer fire departments could receive up to approximately \$666,000 of these collections in CY 2002.

The following table illustrates how these funds would be distributed under current law and with the changes proposed in this bill.

Estimated FY 2002 Sales Tax Revenue from Firework sales, as distributed under current law and with the proposed changes.			
Fund	Current Law	Proposed Law	Difference
State General Fund	1,168,235	-0-	(1,168,235)
Property Tax Replacement Fund	791,621	791,621	-0-
Public Mass Transportation Fund	15,041	15,041	-0-
Commuter Rail Service Fund	3,364	3,364	-0-
Industrial Rail Service Fund	792	792	-0-
Volunteer Fire Department Fireworks Account	-0-	1,168,235	1,168,235
Total	\$ 1,979,053	\$ 1,979,053	-0-
Note: This table assumes twelve months of sales tax revenue collection. The actual distribution of funds to volunteer fire departments is assumed to be based on the money in the fund as of March 1. The Volunteer Fire Department Fireworks Account balance on March 1, 2002, is expected to be approximately \$666,000.			

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill provides that volunteer fire departments may apply for grants from the Volunteer Fire Department Fireworks Account by submitting applications to the Volunteer Fire Department Board, established by this bill. The Board determines which fire departments will receive a grant and the amount of the grant each department will receive. The bill requires volunteer fire departments to submit applications by February 15 and for the Board to determine the eligible departments' grants by March 15. It is estimated that the fireworks account will have approximately \$666,000 on March 1, 2002, and \$1,224,000 on March 1, 2003.

There are approximately 600 volunteer fire departments in the state.

State Agencies Affected: Department of State Revenue; Auditor of State.

Local Agencies Affected: Volunteer Fire Departments.

Information Sources: Department of State Revenue; Office of the State Fire Marshall; Lee A Craig, Ph.D., *Estimates of the Economic Impact of the Fireworks Industry in Indiana*, Oct. 15, 2000, submitted to the 2000 Interim Study Committee on Public Safety Issues.