

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4210-01  
Bill No.: HB 1816  
Subject: Fire Protection; Fireworks; Taxation and Revenue - General and Sales  
Type: Original  
Date: March 4, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$152,185)	(\$1,230,000)	(\$1,230,000)
Fire Education	\$246,000	\$1,230,000	\$1,230,000
Fire Education Trust	\$164,000	\$820,000	\$820,000
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>\$257,815</b>	<b>\$820,000</b>	<b>\$820,000</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

---

## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **Department of Revenue (DOR)** assume this legislation authorizes an additional 2 percent sales tax on fireworks. Business Tax estimates it will need to notify approximately 400 registered/temporary accounts of the increase in the sales tax rate for the fireworks. There will be minor postage costs.

DOR assumes the MITS system will need to be programmed for an additional item tax. This is an item tax with a higher rate of tax unlike the other item taxes, which are with a lower rate of tax (exemption). This will require different programming logic within MITS. A complete system test will need to be done. Notification letters will need to be generated for selected businesses to inform them of the 2% rate increase on fireworks. DOR estimates that the above changes will require 2,076 hours of programming at a total cost of \$69,255. The State Data Center costs to implement the proposed legislation will be \$13,510.

Officials of the **Department of Higher Education (CBH)** and the **State Treasurer (STO)** assume this proposal would not fiscally impact their agencies.

Officials of the **Department of Insurance (INS)** state this proposal authorizes an additional 2% sales tax on fireworks to fund the fire education fund.

Currently, Section 320.094.2, RSMo requires that 3% of the increase of the prior fiscal year over 1997 fiscal year be transferred from the general revenue portion of the premium tax to the Fire Education Fund. There were no increases from FY77 to FY01 and therefore no transfer. Legislation ends this transfer effective 6/30/03. No fiscal impact to the Department of Insurance is anticipated.

Officials of the **Department of Public Safety, Division of Fire Safety (DFS)** assume the Fire Education Commission and the Fire Education Fund is currently housed in the Division of Fire Safety. The Fire Education Commission is the administrator of the Fire Education Fund. The current formula for the Fire Education Fund does not generate funding as anticipated. This fund has been unable to provide firefighter training for the past two years. While this legislation would not have a direct fiscal impact on the Division of Fire Safety, the formula proposed would provide critical training for fire fighters and emergency responders throughout the state.

The fiscal impact for FY02 was unknown at the time this fiscal note was prepared. Figures for FY04 are based on the sales taxes paid for fireworks in 1999 which was \$1,000,684. DFS assumes the Fire Education Fund would received 60% or \$600,410. The Fire Education Trust would receive \$400,274.

ASSUMPTION (continued)

Officials of the **University of Missouri, Fire and Rescue Training Institute** assume the University of Missouri would incur no additional cost from this proposal, as written.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** and the **Secretary of State (SOS)** did not respond to our fiscal note request. However, in response to House Bill 726 from last session, BAP stated according to DOR there were \$41 million in taxable fireworks sales in Missouri in FY 2000. BAP assumes this would generate General Revenue sales tax collections of \$1.2 million. Therefore this proposal would reduce General Revenue by \$1.2 million annually.

**Oversight** assumes the sales tax revenue generated from fireworks is currently considered General Revenue funds, so that fund would be negatively impacted by this legislation beginning July 1, 2003. Based on information from BAP, Oversight assumes the revenue impact of the two percent increase in sales tax would not occur until after the election in November 2002 and therefore be an increase in General Revenue of \$410,000 for FY03, and \$820,000 for FY04 and FY05. Also, Oversight assumes this proposal would result in a decrease in General Revenue for FY04 and FY05 of \$2,050,000 (\$41 million in fireworks sales x 5%).

**This legislation would increase Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
<b>GENERAL REVENUE FUND</b>			
<u>Income - General Revenue</u>			
2% increase in fireworks sales tax	\$410,000	\$820,000	\$820,000
<u>Cost - Dept. of Revenue</u>			
Programming	(\$82,765)	\$0	\$0
<u>Cost - Secretary of State</u>			
Election costs	(\$69,420)	\$0	\$0
<u>Transfer Out - Fire Education Fund</u>			
Sales tax revenue on fireworks	<u>(\$410,000)</u>	<u>(\$2,050,000)</u>	<u>(\$2,050,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND*</b>	<b><u>(\$152,185)</u></b>	<b><u>(\$1,230,000)</u></b>	<b><u>(\$1,230,000)</u></b>

**FIRE EDUCATION FUND**

Transfer In - from General Revenue

<u>FISCAL IMPACT - State Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
Sales tax revenue on fireworks	\$410,000	\$2,050,000	\$2,050,000
<u>Transfer Out - Fire Education Trust Fund</u> 40% of fund balance	<u>(\$164,000)</u>	<u>(\$820,000)</u>	<u>(\$820,000)</u>
<b>ESTIMATED NET EFFECT TO THE FIRE EDUCATION FUND*</b>	<b><u>\$246,000</u></b>	<b><u>\$1,230,000</u></b>	<b><u>\$1,230,000</u></b>

**FIRE EDUCATION TRUST FUND**

<u>Transfer In - Fire Education Fund</u> 40% of fund balance	<u>\$164,000</u>	<u>\$820,000</u>	<u>\$820,000</u>
<b>ESTIMATED NET EFFECT TO THE FIRE EDUCATION TRUST FUND*</b>	<b><u>\$164,000</u></b>	<b><u>\$820,000</u></b>	<b><u>\$820,000</u></b>

\*Note: Voter approval of the Increase in Sales Tax on fireworks must occur to realize the impact. For fiscal note purposes, Oversight presented the fiscal impact as if voters approved the measure.

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill adds a 2% retail sales tax on all fireworks. The revenue derived from the additional tax must be deposited in the Fire Education Fund. The bill also requires the current 3% state sales tax on fireworks to be transferred from general revenue to the Fire Education Fund. After

June 30, 2003, the fund will no longer receive moneys from 3% of insurance premium taxes.

The bill contains a referendum clause.

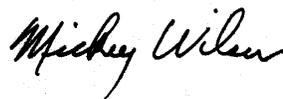
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Revenue  
State Treasurer  
Department of Higher Education  
Department of Insurance  
Department of Public Safety  
Division of Fire Safety  
University of Missouri  
Fire and Rescue Training Institute

#### NOT RESPONDING:

Office of Administration  
Division of Budget and Planning  
Secretary of State



Mickey Wilson, CPA  
Acting Director  
March 4, 2002