

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1776 - HB 1856

February 25, 2020

SUMMARY OF BILL: Effective January 1, 2021, defines new categories of fireworks as “novelties” and “sparkling devices”. Requires a person who intends to sell sparkling devices, and does not currently hold one of six existing firework permits, to register each location that will sell the devices with the State Fire Marshal’s Office (SFMO). Authorizes any retailer or seasonal retailer permit holder to sell novelties and sparkling devices in every city, town, municipality, and county in this state. Prohibits any city, town, municipality, or county to prohibit, restrict, or impose any fee related to the sale or use of novelties or sparking devices.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$1,200/FY20-21/State Fire Marshal’s Office
\$2,400/FY21-22 and Subsequent Years
/State Fire Marshal’s Office
Exceeds \$1,700/FY20-21/General Fund
Exceeds \$3,400/FY21-22 and Subsequent Years
/General Fund**

**Increase Local Revenue – Exceeds \$700/FY20-21
Exceeds \$1,400/FY21-22 and Subsequent Years**

Assumptions:

- The proposed legislation would require vendors who intend to sell sparkling devices and do not currently hold a fireworks permit to register each location with the SFMO.
- Each registration will cost \$25.00 and expire annually on December 31, regardless of the date in which the registration was granted.
- It is estimated there will be approximately one vendor per county in the state who will register to sell sparkling devices annually.
- An increase in revenue to the SFMO of \$2,375 ($\25×95).
- Due to the January 1, 2021 effective date, the SFMO will see a one-time increase in revenue of \$1,188 ($\$2,375 \times 50.0\%$) in FY20-21.
- A recurring increase in revenue to the SFMO of \$2,375 in FY21-22 and subsequent years.
- It is reasonably estimated that the fireworks industry will experience an increase in business revenue exceeding \$50,000.

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is 2.5 percent.
- The increase in state sales tax revenue is \$3,500 ($\$50,000 \times 7.0\%$) and the increase in local sales tax revenue is \$1,250 ($\$50,000 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments an effective rate of 3.617 percent of all state sales tax revenue as state-shared sales tax revenue.
- A total increase in local revenue exceeding \$1,377 [$\$1,250 + (\$3,500 \times 3.617\%)$].
- A total net increase in state revenue exceeding \$3,373 ($\$3,500 - \127).
- Due to the January 1, 2021 effective date, the state will see a one-time increase in revenue exceeding \$1,687 ($\$3,373 \times 50.0\%$) in FY20-21.
- A recurring increase in state sales tax revenue exceeding \$3,339 in FY21-22 and subsequent years.
- Local government will see a one-time increase in tax revenue exceeding \$689 ($\$1,377 \times 50.0\%$) in FY20-21.
- A recurring increase in local sales tax revenue exceeding \$1,377 in FY21-22 and subsequent years.
- The SFMO can administer the new registration program within existing resources.

IMPACT TO COMMERCE:

**Increase Business Revenue – Exceeds \$25,000/FY20-21
Exceeds \$50,000/FY21-22 and Subsequent Years**

**Increase Business Expenditures - \$1,200/FY20-21
\$2,400/FY21-22 and Subsequent Years**

Assumptions:

- It is reasonably estimated that the fireworks industry will experience an increase in business revenue exceeding \$50,000.
- Due to an effective date of January 1, 2021, a one-time increase in business revenue exceeding \$25,000 ($\$50,000 \times 50.0\%$) in FY20-21.
- A recurring increase in business revenue exceeding \$50,000 in FY21-22 and subsequent years.
- An increase in business expenditures for 95 vendors to register to sell sparkling devices with the SFMO of \$2,375 ($\25×95).
- Due to an effective date of January 1, 2021, a one-time increase in business expenditures of \$1,188 ($\$2,375 / 2$) in FY20-21.
- A recurring increase in business expenditures of \$2,375 in FY21-22 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

/agr