

## **Department of Planning and Budget**

### **2023 Fiscal Impact Statement**

**1. Bill Number:** HB1813

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** March

**3. Committee:** General Laws

**4. Title:** Fireworks; sale, use, and taxation.

**5. Summary:** Exempts consumer, display, and permissible fireworks, defined in the bill and relevant law, from the definition of "device" as it pertains to criminal penalties for the possession, manufacture, transportation, distribution, or use of explosive devices. The bill provides that the Statewide Fire Prevention Code does not apply (i) to the sale of permissible or consumer fireworks; (ii) to any person using, igniting, or exploding permissible or consumer fireworks on residential or agricultural property with the consent of the owner of such property; or (iii) when such permissible or consumer fireworks are being transported from a locality where they were legally obtained to a locality where they are legally permitted. The bill imposes a 12 percent retail sales and use tax on the sale or use of consumer, display, or permissible fireworks the revenues from which shall be deposited in the Law Enforcement Support Fund, created by the bill. Moneys in the Fund must be used solely for the purposes of providing compensation to law-enforcement officers in the Commonwealth, in a manner prescribed in the appropriation act.

The bill also contains technical amendments.

**6. Budget Amendment Necessary:** Yes. Item 421.

**7. Fiscal Impact Estimates:** Preliminary (see Item 8).

**8. Fiscal Implications:** According to the Department of Fire Programs (VD FP), there is an anticipated operational impact on the State Fire Marshal's Office as a result of the proposal. VD FP expects that the proposal will result in an increase in the number of brick-and-mortar fireworks distributors or sellers, which would require fire marshal oversight. VD FP estimates that the provisions of this proposal will require an additional 15 fire marshal positions at an annual cost of \$1,854,360 general fund. The dollar amount is based on previous estimates for additional staffing. These additional fire marshals would allow VD FP to have full coverage of the regions in the Commonwealth that the State Fire Marshal's Office has jurisdiction. However, VD FP anticipates the need for higher funding due to the need for adequate training for fire marshals as well as the possibility of localities deferring to the State Fire Marshal's

Office to assist with the enforcement of the new regulations in the proposal. This additional funding need is indeterminate at this time.

According to the Department of Taxation, the bill would impose an additional state Retail Sales and Use Tax on the sale or use of consumer, display, or permissible fireworks at the rate of 12 percent. The tax would be administered and collected by the Tax Commissioner in the same manner and subject to the same penalties as provided for the Retail Sales and Use Tax. The revenue generated and collected pursuant to the tax, less the applicable portion of any refunds to taxpayers would be deposited in the Law Enforcement Support Fund that is established in the proposal. The Department of Taxation would incur an estimated \$172,680 general fund in FY 2023 and \$359,458 general fund in FY 2024 in administrative costs to modify the Department's forms and systems. Due to existing implementation priorities from the 2022 General Assembly session, the programming work would need to be completed using contract labor, and the earliest the Department could implement the required changes would be October 2023. However, if the effective date of the bill is delayed until January 1, 2024, the Department would consider this bill as routine and would not require additional funding. The Department anticipates that the proposal would increase Retail Sales and Use Tax revenues to the General Fund, Transportation Trust Fund, and localities by:

- \$3.6 million in FY 2024;
- \$4.1 million in FY 2025;
- \$4.2 million in FY 2026;
- \$4.3 million in FY 2027;
- \$4.4 million in FY 2028; and
- \$4.5 million in FY 2029.

The Department estimates that the additional 12 percent fireworks tax will produce a positive revenue impact to the Law Enforcement Support Fund of:

- \$7.4 million in FY 2024;
- \$8.4 million in FY 2025;
- \$8.6 million in FY 2026;
- \$8.9 million in FY 2027;
- \$9.1 million in FY 2028; and
- \$9.3 million in FY 2029.

According to the Department of Accounts (DOA) there are minor costs associated with establishing a new fund that the agency can be absorbed. Under current law, the Department of Housing and Community Development (DHCD) has purview over the Virginia Statewide Fire Prevention Code and would be responsible for updating the code as per the provisions of the proposal. According to DHCD, there is no anticipated fiscal impact to update the code.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Fire Programs, Department of Housing and Community Development, Department of Accounts, Department of Taxation.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.