

# MINNESOTA · REVENUE

## SALES AND USE TAX Fireworks and License Fee

March 27, 2002

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested	<b>X</b>	
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		<b>X</b>

Department of Revenue  
Analysis of H.F.1543 (Holsten) 3<sup>rd</sup> Engrossment

	<b>Revenue Gain or (Loss)</b>			
	<b><u>F.Y. 2002</u></b>	<b><u>F.Y. 2003</u></b>	<b><u>F.Y. 2004</u></b>	<b><u>F.Y. 2005</u></b>
	(000's)			
License Fees	-	\$250	\$275	\$300
Sales tax	-	\$220	\$816	\$848
Appropriation	-	(\$250)	-	-
General Fund Total	-	\$220	\$1,091	\$1,148

Effective the day following final enactment. Assume a start-up date of May 1, 2003.

### EXPLANATION OF THE BILL

**Current Law:** Prohibits the sale and ignition of 1.4G fireworks for personal use.

**Proposed Law:** Would allow the use or ignition of 1.4G fireworks from July 1 to July 7 and December 25 to January 2 of each year for personal use only. Retail sellers could advertise and offer for sale 1.4G fireworks from May 1 to July 15 and December 1 to January 2 of each year. Fireworks sales would be subject to the sales and use tax.

\$250,000 for FY 2003 is appropriated from the general fund to the commissioner of public safety for administrative purposes.

A \$5,000 fee will accompany the annual license application to sell fireworks.

### REVENUE ANALYSIS DETAIL

- National fireworks industry revenue from the American Pyrotechnics Association was apportioned by state to estimate fireworks revenue for Minnesota. The Minnesota sales and use tax rate was applied to calculate sales tax revenue.
- FY 2004 is assumed to reflect a full year's impact.

**REVENUE ANALYSIS DETAIL (CONTINUED)**

- It is expected there will be 50 locations selling fireworks in Minnesota. Expect five additional fireworks retail locations each year.

**NUMBER OF TAXPAYERS AFFECTED:** Estimated 50 retailers and 100,000 individuals.

**ADMINISTRATIVE/OPERATIONAL IMPACT**

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
<http://www.taxes.state.mn.us/polic.html#analyses>

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