

- SUBJECT:** Repealing the 2 percent excise tax on fireworks
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 7 ayes — D. Bonnen, Button, Darby, Murphy, Springer, C. Turner, Wray
2 nays — Y. Davis, Martinez Fischer
2 absent — Bohac, Parker
- SENATE VOTE:** On final passage, March 31 — 30-0
- WITNESSES:** (*On House companion bill, HB 2113*)
For — Trey Blocker, State Firefighters' and Fire Marshals' Association;
(*Registered, but did not testify:* Eric Glenn, Texas Pyrotechnic Association)

Against — None

On — (*Registered, but did not testify:* Karey Barton and Tom Currah, Texas Comptroller of Public Accounts)
- BACKGROUND:** In 2001, the 77th Legislature enacted HB 3667 by Cook, which created the Rural Volunteer Fire Department Insurance Fund, an account within general revenue funded by a 2 percent sales tax on fireworks sold in the state. Under Government Code, ch. 614, subch. F, money from this account may be directed to rural volunteer fire departments to pay for accidental death, disability, and workers' compensation insurance. The Texas Forest Service administers this account.
- DIGEST:** SB 761 would eliminate the 2 percent tax on fireworks sales and replace the revenue from the tax currently directed to the Rural Volunteer Fire Department Insurance Fund with money from general revenue.

It would require the deposit of an amount equal to the revenue derived from the collection of taxes at the rate of 2 percent on each sale at retail of

fireworks to the insurance fund. The comptroller would determine this amount based on statistical data indicating the estimated or actual total receipts in this state from taxes imposed on sales at retail of fireworks.

The bill would take effect September 1, 2015, and would not affect tax liability accruing before that date.

**SUPPORTERS
SAY:**

SB 761 would increase state revenue because the fireworks tax imposes a large opportunity cost on the comptroller's resources. Resources now spent administering and enforcing the fireworks tax would generate more revenue if redeployed to audit or enforcement activities for other taxes.

This bill also would provide a stable funding source for the insurance fund, allowing the Texas Forest Service more flexibility and foresight when issuing decisions on requests for assistance. Allocations from general revenue would be more frequent and more reliable than funds deposited from the collection of the fireworks tax, which varies seasonally.

The fireworks tax represents a significant administrative and fiscal burden on fireworks retailers, many of which are small businesses run by families. This bill would allow them to allocate their resources more efficiently and keep more of their hard-earned profits.

Businesses already pay their fair share through a number of taxes — this bill would merely eliminate one of them. Consumers, small businesses, and the state would be better off eliminating this unnecessary tax because it generates too little revenue to offset the administrative opportunity cost.

**OPPONENTS
SAY:**

SB 761's elimination of the fireworks tax would have a direct negative impact on revenue, and the state should not cut revenue when it faces needs in critical areas, such as education and transportation.

This bill would eliminate a tax on the grounds that it does not bring in sufficient revenue to offset the time spent collecting it. However, a tax that is comparatively less cost-effective to collect should not necessarily

be eliminated. Businesses should all pay their fair share because they benefit from the same system of legal protections established and enforced by the state government.

NOTES:

The Legislative Budget Board's fiscal note estimates that SB 761 would have a negative impact of about \$2.9 million through fiscal 2016-17.

The House companion bill, HB 2113 by Murphy, was reported engrossed on April 22 and referred to the Senate Committee on Administration on May 19.