

IMPORTANT POINTS TO CONSIDER WHEN THINKING ABOUT ENTERING INDIANA RETAIL FIREWORKS MARKET

All companies must purchase a \$1,000 License to sell fireworks from the Indiana Department of Homeland Security (DHS). This fee will cover your first location, each additional location will cost an additional \$200. Applications can be filled out and submitted online at <https://oas.in.gov/dfbs/fireworks/fireworks/main.do>

Each Company will need to obtain a Registered Retail Merchant Certificate (RRMC) from the Indiana Department of Revenue at a cost of \$25 per location. In addition, you will be required to register at this time for Sales Tax (ST) and Public Safety Fee (PSF) Collection. Fireworks Public Safety Fee is an additional 5% tax collected in addition to the current 7% sales tax on all sales of consumer fireworks. RRMC must be obtained before DHS will allow you to apply for a license.

Company will be responsible for obtaining all county or city permits in your area. These could include but are not limited to sign permits, occupancy permits, and building permits. These are generally obtained in the local County or City Hall.

Any retail fireworks store opened after 2005 is subject to a 500 lb gross weight product requirement. This means that as a retailer, you are not permitted to have more than 500 lbs of consumer fireworks on your retail site at one time. This includes aerial and non aerial fireworks. Generally, 500 lbs of gross product weight (approximately 20-30 cartons of product) is not much, which makes it very difficult for any retailer to stay in compliance while at the same time remaining competitive with those who the requirement does not apply to. Storage may also be an issue for retailers with the 500 & 1000 lbs requirement. DHS began to allow on-site (i.e. parking lot) storage containers in 2009. A decision is due in April of 2010 on what type of storage is allowable.

Sites that have functional sprinkler systems that are up to code will be allotted an additional 500 lbs of product, totaling 1000 lbs. Sites with sprinkler systems will be required to pass an annual operating test at the cost of the retailer unless the landlord has the proper documentation. Any location, sprinklers or no sprinklers, that sold fireworks prior to 2006 and has had a license to sell in that same space every year since is "grandfathered" in to the past rules and regulations. This means that the retailer will be permitted to have an Unlimited amount of product in their space at any given time.

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If retailer is interested in operating a tent, special rules apply. New retailers operating new temporary stand or tent locations are not permitted to sell any aerial fireworks, ever! Only those fireworks labeled Safe and Sane, or Section 8(a), may be sold in an open structure. Tents are subject to the same inspections as stores by a DHS inspector. The deadline to apply for a temporary stand permit is June 1st.

Generally, when looking for a seasonal building to rent, you will find that the owners of these properties will want a premium rent payment. As a general rule of thumb, do not pay more than 10% of what you estimate your gross sales to be for your lease. It could work to the retailers advantage to make the lease contingent on the condition that it does receive a license from the DHS.

Applying for a License to sell fireworks with DHS and paying the non-refundable fee does not guarantee issuance. All applicants are subject to rigorous building and safety inspections by a DHS employee. General things these inspections check for include exit signs, fire extinguishers, fire hazards, properly functional doors and locks, and many other fire and building code checkpoints. Each individual inspector has the right to deny a permit based on their interpretation of the code. Retailer will not be allowed to open for business until all noted violations are corrected and re-inspected.

Keep in mind, a successful fireworks operation will be nearly impossible without properly functioning electricity and phone lines. Make sure that the space you select has operational utilities.

In addition to the items above, it is also highly recommended that you carry Premise Liability Insurance to protect yourself incase of a serious accident on the premise of your retail location. North Central Industries provides a few different options of coverage. They also offer Product Liability Insurance.