

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 224** SLS 23RS 212

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 28, 2023	11:32 AM	Author: MILLS, ROBERT
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Reduce the excise tax on cigars		

TAX/TAXATION OR -\$15,000,000 GF RV See Note Page 1 of 1
Provides relative to excise taxes imposed upon certain tobacco products. (gov sig)

Current law taxes cigars at 8% for those invoiced up to \$120 per thousand by the manufacturer and taxes at 20% for those invoiced at more than \$120 per thousand by the manufacturer.

Proposed law lowers the cigar tax from 20% to 8% for those cigars invoiced at more than \$120 per thousand by the manufacturer .

Effective August 1, 2023.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$75,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$75,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue indicates costs of about \$53,000 for programming, testing and system development costs, including form revisions. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

Based on tax returns filed, LDR estimates that state general fund revenue will decline by about \$15 M (or 60% of current cigar tax collections) annually due to the 60% tax rate reduction in the bill, assuming sales remain constant. Current collections from the cigar excise tax totals about \$25 M annually with about 98% of cigar taxes generated at 20%. Proceeds flow to the state general fund.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger
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Interim Legislative Fiscal Officer