



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 14 HLS 161ES 78
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 16, 2016 8:47 AM
Dept./Agy.: Revenue
Subject: Tobacco Tax Increase
Author: LEGER
Analyst: Greg Albrecht

TAX/TOBACCO TAX OR +\$46,000,000 GF RV See Note Page 1 of 1
Levies an additional tax on cigarettes (Item #4)

Current law imposes an excise tax on cigarettes of 86¢ per 20-pack.

Proposed law increases the tax on cigarettes by 22¢ per 20-pack, to a new tax rate of \$1.08 per 20-pack. Inventories of stamps and stamped products are subject to the tax increase proposed by this bill. Taxes on all other tobacco products are unchanged.

Effective for the period beginning April 1, 2016.

Table with 7 columns: EXPENDITURES/REVENUES, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

In the past, the Department of Revenue has indicated that it will incur one-time costs to notify affected taxpayers of the tax rate increases, to revise tax forms, and make tax system programming changes.

REVENUE EXPLANATION

The state cigarette tax was increased in 1990, 2000, and 2002 and the federal tax was increased in 2009. The state tax was also increased in 2015, but the increase in monthly tax receipts resulting from that latest increase has not yet normalized.

A simple calculation of revenue gain based on the average yield of 1¢ of tax prior to the 2015 tax increase would result in an anticipated annual gain of some \$67 million in the full year of FY17 from the cigarette tax increase proposed in this bill.

Previous state tax increases were individually relatively small (4¢, 4¢, and 12¢, respectively; percent increases of 25%, 20%, and 50%) compared to the 22¢ increase of this bill while the federal increase was relatively large at 61.66¢ (158%).

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

Signature of John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer