

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 210** SLS 11RS 378  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 11, 2011 12:35 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> State tobacco tax suspension for promotional products	

TAX/TAXATION OR -\$50,000 GF RV See Note Page 1 of 1  
 Temporarily exempts cigars and smoking tobacco sampled at certain meetings, conventions, and trade shows for the tobacco tax. (8/15/11)

Current law subjects cigars, cigarettes and smoking tobacco that are given away by a dealer for advertising or any other purpose to a tobacco tax. For cigars, the tax is 8% of the invoice price (cigars) if the price is \$120 or less per thousand or 20% of the invoice price if the price is more than \$120 per thousand. For smoking tobacco, the tax is 33% of the invoice price. All tobacco products must enter the state destined for a licensed tobacco wholesaler, who then remits the tax.

Proposed law allows an exemption from state tobacco tax for cigars and smoking tobacco sampled on the premises of convention facilities during private professional meetings, conventions, and trade shows which are produced or organized by tobacco businesses, trade show companies or associations affiliated with the tobacco industry.

The exemption will be in place from January 1, 2013, through December 31, 2015.

<b>EXPENDITURES</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	<b>(\$200,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$50,000)</b>	<b>(\$50,000)</b>	<b>(\$50,000)</b>	<b>(\$50,000)</b>	<b>(\$200,000)</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The bill presumably targets sample products given away at the International Premium Cigar and Pipe Retailers Association convention being held in New Orleans and similar events. This same convention was held in New Orleans in 2009 without a suspension and in 2010 with a suspension that spanned the four specific days of the event (HCR 216 of 2010 Regular Session). The Department of Revenue reported collecting approximately \$45,000 of excise tax from participants self-reporting and remitting their excise tax liabilities from the 2009 event. The Department expects that collections this year would be somewhat more given past experience and departmental presence at the convention informing participants of the appropriate liabilities. The fiscal note assumes the event takes place in Louisiana once during each year of the fiscal note horizon.

Note: The actual suspension language of the resolution applies only to the excise tax, is general in nature, and does not specify this particular event. Should more events take place that fit the description included in the legislation, this impact could increase.

**Note:** The Attorney General's office indicated that allowing the transfer of a unit of unstamped tobacco could be a violation of the statutes related to the Master Settlement Agreement (MSA) that provides the tobacco settlement funding for the securitization debt service, the Millennium Trust and the Louisiana Fund, and could compromise on-going arbitration between the state and the manufacturers.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	 <b>Gregory V. Albrecht</b> Chief Economist
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	