

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



Fiscal Note On: **HB 591** HLS 11RS 493

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

|   |         |                               |
|---|---------|-------------------------------|
| <b>Date:</b> June 2, 2011               | 6:53 PM | <b>Author:</b> RITCHIE        |
| <b>Dept./Agy.:</b> Revenue              |         | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> Extend 4¢ Cigarette Tax |         |                               |

TAX/TOBACCO TAX

EN +\$12,000,000 GF RV See Note

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Removes termination of the applicability of a certain portion of the tax levied on cigarettes

Current law imposes a tax on cigarettes of 4¢ per pack of twenty. This tax levy expires June 30, 2012.

Proposed law permanently extends this 4¢ levy. The bill also provides that the monies generated shall be available exclusively for the support of expenditures directly providing health care services which are eligible for federal financial participation.

| <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         | \$0            | \$0            | \$0            | \$0            | \$0            | <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            | \$12,000,000        | \$12,000,000        | \$12,000,000        | \$12,000,000        | <b>\$48,000,000</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         | \$0            | \$0                 | \$0                 | \$0                 | \$0                 | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$12,000,000</b> | <b>\$12,000,000</b> | <b>\$12,000,000</b> | <b>\$12,000,000</b> | <b>\$48,000,000</b>  |

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

This particular levy was first imposed by Act 32 of 2000 for 2 years, then extended for another ten years through FY12 by Act 21 of 2002. The drop in revenue is anticipated in the official forecast beginning with FY13 at \$12 million per year. This revenue drop fully affects the state general fund since no dedications are associated with this levy. Extension of the levy will retain approximately \$12 million per year, beginning with FY13. The bill provides for the disposition of these receipts to health care services expenditures, but does not create a special fund to receive these monies; thus, retaining their characteristic as state general fund means-of-finance.

Changes to the tax on cigarettes (typically increases) elicit behavioral responses from consumers (tax-paid consumption changes) and wholesalers (stockpiling) that can affect the amount and timing of tax receipts associated with the tax change. However, from an economic perspective, the levy addressed by this bill is not a new or increased levy but simply the continuation of an existing levy. It is unlikely that this continuation would elicit such responses to any material degree.

|  |                            |  |  |
|--|----------------------------|--|--|
| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u>   | <i>H. Gordon Monk</i>                                      |
| <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}                       | <b>H. Gordon Monk</b><br><b>Legislative Fiscal Officer</b> |
|  |                            | <input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}                        |  |
| <input checked="" 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} |  |