

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4135-01
Bill No.: HB 1299
Subject: Taxation and Revenue - General: Tobacco Products
Type: Original
Date: April 5, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue Fund*	\$0	\$0	\$0

Net of about \$300,000,000 per year income and expenditures and transfers out.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Health Care	\$0	\$0	\$0
Life Sciences	\$0	\$0	\$0
Tobacco Prevention	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds*	\$0	\$0	\$0

*Net of transfers in and expenditures of approximately \$300,000,000 per year.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue**, the **Department of Health and Senior Services**, the **Department of Social Services**, and the **State Treasurer** stated that the proposal would not affect their agencies or that their agencies could carry out duties under terms of this proposal with existing resources.

Officials of the **Department of Mental Health (DMH)** stated that the proposal could result in additional funds for DMH-administered programs.

Officials of the **Office of Administration - Division of Budget and Planning (OA - BAP)** stated that the proposal would not have administrative effects on their agency. They estimated the effect on state revenues as follows:

Cigarette tax increases of \$284,000,000 in FY 2005, \$281,300,000 in FY 2006 and \$278,500,000 in FY 2007. Other tobacco product tax increases of \$19,800,000 in FY 2005, \$21,000,000 in FY 2006 and \$22,200,000 in FY 2007.

BAP officials also noted that the size of the revenue increases would require that the proposal go to a popular vote.

GVB:LR:OD (12/02)

ASSUMPTION (continued)

Oversight has presented fiscal impacts for the proposal as the proposal is written. It would take effect upon approval or July 1, 2004.

<u>FISCAL IMPACT - State Government</u>	FY 2005	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Income</u> - Increased Tobacco Taxes	\$303,800,000	\$302,300,000	\$300,700,000
<u>Cost</u> - Medicaid and Senior Rx Programs	(\$303,800,000)	\$0	\$0
<u>Cost</u> - Transfer to the Health Care Fund	\$0	(\$256,955,000)	(\$255,585,000)
<u>Cost</u> - Transfer to the Life Sciences Fund	\$0	(\$30,230,000)	(\$30,070,000)
<u>Cost</u> - Transfer to the Tobacco Prevention Fund	\$0	(\$15,115,000)	(\$15,035,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
HEALTH CARE FUND			
<u>Income</u> - Transferred Tobacco Taxes	\$0	\$256,955,000	\$255,585,000
<u>Cost</u> - Medicaid and Senior Rx Programs	\$0	(\$256,955,000)	(\$255,585,000)
ESTIMATED NET EFFECT ON HEALTH CARE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
LIFE SCIENCES FUND			
<u>Income</u> - Transferred Tobacco Taxes	\$0	\$30,230,000	\$30,070,000
<u>Cost</u> - Life Sciences Research	\$0	(\$30,230,000)	(\$30,070,000)
ESTIMATED NET EFFECT ON LIFE SCIENCES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOBACCO PREVENTION FUND			
<u>Income</u> - Transferred Tobacco Taxes	\$0	\$15,115,000	\$15,035,000
<u>Cost</u> - Tobacco Use Prevention Programs	\$0	(\$15,115,000)	(\$15,035,000)

**ESTIMATED NET EFFECT ON
TOBACCO PREVENTION FUND**

\$0

\$0

\$0

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses which sell or buy tobacco products would be affected by this proposal.

DESCRIPTION

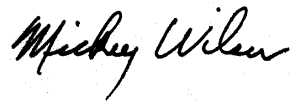
This proposal would increase the state cigarette tax by \$.55 per pack and increase the tax on other taxable tobacco products from ten percent (10%) of the wholesale price to thirty percent (30%) of the wholesale price.

Moneys from the tax increases would be used to fund the state Medicaid and Senior Rx programs, life sciences programs and tobacco use prevention.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

Department of Health and Senior Services
Department of Mental Health
Department of Revenue
Department of Social Services
Office of Administration - Division of Budget and Planning
State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 5, 2004