

HB

2

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. HB 3

Revision Date: March 11, 1992  
Title: An act levying an excise tax on smokeless tobacco products  
Sponsor: Rep. Ellis  
Requestor: HS HES

Department Affected: Department of Revenue  
BRU: Revenue Operations  
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>REVENUE</b>	360.0	360.0	360.0	360.0	360.0	360.0
<b>FUND SOURCE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS:

SEE ATTACHED

Prepared By: Paul E. Dick Phone: (907) 465-2320  
Division: Income and Excise Audit Date: March 11, 1992  
Approved by Commissioner: Darrel J. Rexwinkel Date: 3/11/92  
Agency: Department of Revenue

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

Fiscal Note Analysis, HB 3  
 Income and Excise Audit Division  
 Prepared by Paul Dick  
 March 11, 1992

The revenue increases presented in this fiscal note assume the passage of HB 2 which was introduced in the 1991 session along with this bill. HB 2 increases the tax imposed on cigarettes from 29 to 41 cents per pack of cigarettes.

HB 3 separates smokeless tobacco from other tobacco products such as cigars and smoking tobacco and imposes a tax on smokeless tobacco equivalent to the rate imposed on cigarettes. Under this bill, the smokeless tobacco tax rate would be determined through regulation by the commissioner of the Department of Revenue. Other tobacco products such as cigars and smoking tobacco would not be subject to this bill and would remain taxed under AS 43.50.300 at 25% of its wholesale price.

Passed in conjunction with HB 2, this bill effectively increases the excise tax on smokeless tobacco from 25% to approximately 35% of the wholesale price of tobacco. For purposes of this fiscal note, we will use wholesale price as the basis for comparing the tax on cigarettes to that of smokeless tobacco.

Following are our calculations under the provisions of HB 3 using both the current tax rate and the rate assuming HB 2 becomes law. Our calculations assume that most of the tax collected on tobacco products excluding cigarettes was attributable to smokeless tobacco.

	<u>Without HB 2*</u>	<u>With HB 2</u>
Tax per pack of cigarettes	.29	.41
Wholesale price per pack of cigarettes	<u>\$1.18</u>	<u>\$1.18</u>
Percentage of tax to wholesale price	<u>24.58%</u>	<u>34.75%</u>
Total wholesale value of smokeless tobacco sold in FY 91	\$3.7 million	\$3.7 million
Total wholesale value of smokeless tobacco multiplied by percentage	\$909,500	\$1,286,000
Less FY 91 smokeless tobacco revenues	<u>(926,000)</u>	<u>(926,000)</u>
Increase (Decrease) in revenues**	<u>\$(16,500)</u>	<u>\$ 360,000</u>

\* Based on the current combined tax rate imposed on cigarettes. Note that statutes already tax smokeless tobacco at 25% of the wholesale price.

\*\* Assumes that the use of smokeless tobacco remains at the same level of usage during FY 91.

Date of Committee Action: 3/19/92

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: HB 2

HOUSE BILL NO. 2 INCREASE CIGARETTE EXCISE TAX

"An Act increasing the excise tax on cigarettes."

RECOMMENDATIONS:  the same title  
 be replaced with CS HB 2 (HES)  a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 fiscal impact Dept. of Revenue 3/16/92  fiscal note(s) \_\_\_\_\_  
 zero fiscal note \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Cheri Davis</i>	<input checked="" type="checkbox"/>				
<i>Betty Davis</i>	<input checked="" type="checkbox"/>	<i>J. E. Young</i>		X	
<i>Pat [unclear]</i>	<input checked="" type="checkbox"/>	<i>Betty Davis</i>		X	
		<i>Mary Miller</i>		X	

*Pat [unclear]*  
 CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. CSHB2

Revision Date: March 16, 1992  
Title: An act increasing the excise tax on cigarettes and tobacco products  
Sponsor: Reps. Ellis and Brown  
Requestor: HS HES

Department Affected: Department of Revenue  
BRU: Revenue Operations  
Component: Income and Excise Audit  
COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE FUND SOURCE	4670.0	4670.0	4670.0	4670.0	4670.0	4670.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0.0

ANALYSIS: ''  
SEE ATTACHED

Prepared By: Paul E. Dick Phone: (907) 465-2320  
Division: Income and Excise Audit Date: March 16, 1992

Approved by Commissioner: Darrel J. Rexwinkel Date: 3/16/92  
Agency: Department of Revenue

Fiscal Note Analysis, CSHB 2  
 Income and Excise Audit Division  
 Prepared by Paul Dick  
 March 16, 1992

CSHB 2 increases excise taxes on cigarettes and tobacco products. This bill increases the additional cigarette tax under AS 43.50.190 from 12 to 18 mills per cigarette, and increases the percentage of tax on tobacco products from 25% to 35% of the wholesale price.

**Cigarettes**

When added with the base cigarette tax of 2.5 mills under AS 43.50.090, the total cigarette tax under this bill would be 20.5 mills per cigarette (41 cents per pack), versus the current 14.5 mills (29 cents per pack). This would mean a 41% increase from the current cigarette tax rate.

Assuming that the increased tax rate will cause a decrease in the number of cigarettes sold by 10%, cigarette taxes will still increase in FY 93 by \$4.3 million as outlined below:

	<u>FY 91</u>	<u>HB 2</u>
Taxable Cigarettes Sold	1,088,000,000	979,200,000
Cents Per Cigarette*	<u>1.45</u>	<u>2.05</u>
Cigarette Tax	<u>\$15,776,000</u>	<u>\$20,073,600</u>

Our fiscal note assumes that the number of cigarette sold in FY 93 will remain the same through FY 98.

\* 1 mill = .1 cent

**Tobacco Products**

This bill increases the percentage of excise tax on tobacco products from 25% to 35% of the wholesale price of the product. Tobacco products under AS 43.50 includes all forms of tobacco except for cigarettes.

Based on the total wholesale price of tobacco products reported to the Department of Revenue during FY 91 of \$3.7 million, this bill would increase revenues by \$370,000 per year assuming the rate of tobacco usage remains the same as FY 91.

**Summary**

The total increase in revenues for both cigarettes (\$4.3 million) and tobacco products (\$370,000) as a result of this bill is estimated to be \$4,670,000.