

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER
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DESCRIPTION

1358

2007 HOUSE FINANCE AND TAXATION

HB 1358

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1358

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 01-29-2007

Recorder Job Number: 2135

Committee Clerk Signature

*Lisa M Thomas*

Minutes:

**Chairman Belter** opened the hearing on HB 1358.

**Senator O'Connell** introduced the bill. See written testimony.

**Rep. Weiler:** To your knowledge, does the fiscal take into consideration any increased value?

**Sen. O'Connell:** Not to my knowledge. I believe we are one of three states that don't have a stamp on this.

**Rep. Carlson** spoke in support of the bill. See attachment.

**Rep. Carlson:** This bill is about the third time to be introduced for the stamping bill for cigarettes. Years ago ND did stamp cigarettes and the purpose of the bill has always been to know that all of the cigarette packs that are sold in our state have paid the tax. We have had the same arguments and discussions every time and I am not sure they will be any different this time. I think there are some questions that you as a committee need to sort through and see if you can come to some resolution. First of all take a look at the revenue that we generate from cigarettes and tobacco tax. Revenue sources listed on the handout, you will see that the cigarette tax contrary to what most people would think, with all of the campaigns for antismoking, you would think that the revenue on cigarette sales would be down. On the contrary, they are up. They have gone from thirty-nine point three million dollars in 2003 and

stayed about the same in 2003-2005 and then 2005-2007 Minnesota put a seventy cent tax on there and they called it the health impact fee. Very imaginative name for a cigarette tax. Our sales have gone up and now South Dakota just raised their cigarette sales tax a dollar a pack. So ND whether we like it or not, has become a haven for buying cigarettes. People are buying them because they are cheaper here than anyplace else. I don't think that in anyway does this condone that the state likes people to smoke, but on the other hand, it's a legal product and I've always maintained that if we are selling a legally product, the tax should be paid on it. I think our tax is forty-four cents a pack. It has been that way since 1993, we raised it eleven cents back in 1993. I remember that because I was a freshman on this tax committee and nobody wanted to carry it to balance the budget, so the Chairman assigned me the bill. We passed that and it has been the same ever since. So the question then if you are stamping cigarettes, and the people are here from the industry and I will explain to you how the process works and how the cigarettes come and it is administered by the wholesalers and they are here today. You need to ask, are there any contraband cigarettes here in ND? I think if you ask two groups of people this, you get two different numbers. I would like you to ask the industry people what they believe the number is and then you should ask the tax dept. if they missed any. There has always been some disagreement on whether we have or have not missed any. Last time we addressed the internet sales for young kids. Because of that, most of the major carriers have stopped shipping cigarettes into our young kids. However, when we have the Indian Reservations, plus there are knock offs. Last time, Rep. Weiler or Porter bought some cigarettes online from Russia, so is there opportunity, I believe there is. Get those two numbers. Then you should ask a viable question that we all struggle with. Is this a burden on ND business? We require them to do something that they haven't done before and the answer in most cases is no, but there are some. Some of our wholesalers are stamping for other

states right now. There are only three states in the nation that do not stamp cigarettes. Now there are all kinds of things that you will see here, that it is easy to counterfeit and I think the people in the industry will talk about the fact that counterfeiting isn't as, you can find them if you know what you are looking for on the counterfeits. Our wholesaler is important to me. We don't want to put an undo burden on our wholesalers. In many cases in our tax system we make our wholesaler and retailers our tax collectors so we don't want to overburden them. What would this mean to you in terms of cost if we require you to put those stamps on? As I understand, the cartons come open and they have a machine, they stamp them and the cartons are sealed, so there is a process that needs to be done. I have not seen it, but it is a good question to ask. Then ask the tax department because we've had the problem before with death by fiscal note. Where all of the sudden they need a large amount of money and a larger amount of enforcement to make sure that this gets done properly. I think we need to sort through that. There are some amendments that will be offered after this bill is done, some of them will need reimbursement for the wholesalers and we can address those things later. Those are the questions you should ask the parties involved here. I believe there are cigarettes being sold in this state that are not taxed and that is why the bill is before you again. I would hope you would give this careful consideration and notice that it does have a significant revenue. Nobody would have ever thought that one pack at a time you would have forty million dollars worth of revenue on cig tax in the biennium. We need to make sure that all of those that are sold are taxed if that is our policy.

**Rep. Drovdal:** You talk about contraband cigarettes coming in, mainly off of the reservation and I would have to agree with you that it is happening, but Minnesota, South Dakota and Montana has an increased higher tax rate than North Dakota. If we put this stamps on, will this

not help Montana and border states identify ND cigarettes that are going over there, because wouldn't they consider our cigarettes contraband to their states?

**Rep. Carlson:** I don't believe they consider contraband but I will let the industry people answer that. I don't know. A lot of our parents smoked and there was stamps on all of their cigarettes back then and I would have never viewed it as being contraband if they took a ND pack and went to the lake and had a smoke in MN, but I don't know the law there. But that is a valuable question. The logical question would be, can you sell enough, if you stamp the cigarettes, will there be enough revenue raised to offset any cost that might be attributed to the manufacturer or the wholesaler and the tax department for administering it. The tax department becomes a vendor, they sell the stamps. The wholesaler puts them on and the wholesaler submits the money, so the process is all identified, it is something we have done in the past. I hope that you can find those answers.

**Andrea Heller, Senior Manager of Brand Integrity at Phillip Morris USA,** spoke in support of the bill. See written testimony.

**There were no questions from the committee.**

**Opposition was heard at this time.**

**John Quinlan, Office of State Tax Commissioner,** spoke in opposition to the bill. See written testimony.

**Rep. Belter:** What are the tax laws? If somebody comes over from Minnesota or South Dakota and buys cigarettes here, are they supposed to submit tax to MN or something?

**Quinlan:** MN has a one carton exemption like we used to have that allows the consumer to have one carton in their possession tax free. SD has zero tolerance. Technically anything purchased here and taken back to SD becomes contraband.

**Rep. Belter:** I think my next question; there are only three states that do not stamp. I would assume that if forty-seven other states are stamping, that if this committee, that if this committee or the legislature should pass the stamping bill that the tax department would be able to implement that?

**Quinlan:** Certainly. We have had a bill that we have sat on for many years that would bring back stamping if we felt it were necessary or it can be shown that we were losing revenue. We don't feel that has been the case and the stamping doesn't address the issues that we have identified where we feel there is diversion and so we haven't reintroduced the stamping request.

**Rep. Belter:** Why does the tax department come in here in opposition to the bill instead of as neutral testimony?

**Quinlan:** We feel that since 1991 we have affectively administered and collected the tax. There is a significant expense to enforcing stamping and that is the primary reason. We certainly have done it in the past, we can do it in the future, but we are not certain that expense is warranted at this time.

**Rep. Froseth:** The 1.5 fiscal note on the bill to administer the cost of stamping, have you any idea what that would equate to per package?

**Quinlan:** No, I haven't crunched those numbers to determine how many would have to be sold to make up the cost. I can get back to you on it.

**Rep. Headland:** Ms. Heller's testimony indicated that there were several states that have recently went back to stamping cigarettes and they have shown substantial increases in their tax revenue and I just am having a hard time understanding how you can be so confident that what you are doing is not allowing for any of that counterfeit cigarettes to be sold here in the state so I would like you to explain to us the process.

**Quinlan:** The state of ND is a small population base and as far as cigarette consumption we do a year what Minnesota does a month. Some of the other states have different problems as far as we do organized crime and counterfeiting. Michigan at the time they raised their rate that has seventy-five cent a pack tax increase and based on that, that is what prompted them to go to stamping because of their significant tax increase, knowing that there might be diversion from other states. Alaska was the last state to actually go to a cigarette stamp change they didn't stamp and last year, Alaska had a nine percent decrease in taxable products so they are trying to understand where that came from. Certainly some of it is internet diversion, but the year they imposed the stamp, they had a two percent increase in sales and last year they had a nine percent decrease statistically and they haven't figured that out yet, so the fact that they started stamping, they can't necessarily blame it on stamping, but they did have a significant loss in revenue. They also had a significant price increase.

**Rep. Headland:** That didn't really answer my question. How many packs of cigarettes does the state of ND collect tax on in a year?

**Quinlan:** Based on last year's numbers it was just over forty-eight million packs that a tax was collected on.

**Rep. Weiler:** I doubt you are going to have this information, but perhaps you can get the committee this information. You said that back in 1991 that we quit stamping. Could you get us the information as to what happened to the revenue in this state? Also any increases or decreases in cigarette packs that would have gone along with that. Secondly as I look to your testimony at the bottom of the cover page, number six it says that the state tax commissioner has not received information from the industry indicating that smuggling exists in ND, so because they have not received any information, does that mean that it doesn't exist?

**Quinlan:** We haven't identified that it exists. Phillip Morris and their Brand Integrity department, Ms. Heller's people, come into ND and they hire people to go out and make purchases and they buy a product and send back for testing trying to identify counterfeit products. The last information we got from them was regarding a package of cigarettes that had another state's tax stamp sold on it in the north western corner of the state. We feel that with the support of the wholesalers and the information that we do receive, that if there were counterfeit cigarettes, law enforcement would have to be in touch with us to let us know what is going on.

**Rep. Weiler:** My parents I don't think were able to identify some of the things I did in high school either and there wasn't any information out there but that doesn't mean I wasn't doing anything. The fiscal note, explain to me the process of why we would need two FTE's.

**Quinlan:** The two FTE's is for a field person and an in office clerical staff to deal with the paperwork involved with stamping the stamps and processing the order and recording the transactions and then the follow up paperwork required for reconciliation by the wholesalers. There is additional paperwork required in this process. Field inspectors if we are stamping would have to go out and do inspections with the wholesalers, the retail inspections to make sure that the stamps that are there, similar to some of the packs that I showed you, have the correct space printed on them.

**Rep. Weiler:** Back in 1991 when we quit stamping, did we get rid of two FTE's? And then the last question that I have is we missing any packs of cigarettes that come into this state?

**Quinlan:** We are only now reporting cigarettes that are reported to us. If cigarettes are coming in and interstate commerce directly to the Indian Reservation over which we have no authority, that could be happening and we would not know it.

**Rep. Drovdal:** What are the other two states that don't require stamping?

**Quinlan:** It is North and South Carolina.

**Rep. Drovdal:** In your testimony I see you stated that the main source of tax states, of which we have none close to us and you also stated that you had inspected one hundred and sixty licenses last year. Any of those that you inspected that were on military reservation or Indian reservations or internet sales?

**Quinlan:** No, those are retailers outside the reservations across the state.

**Rep. Drovdal:** Then we really can't say that there is no problem because we aren't auditing those places that the problem comes from, can we?

**Quinlan:** We have no authority on the Indian reservation or the Military bases.

**Rep. Froseth:** If in fact we stamped cigarettes to make them legal and follow the contraband, most of us live fairly close to an Indian Reservation, where we can go and buy cigarettes without paying the tax, so if we stamped ours, and went and bought them on the reservation, would that be an illegal sale?

**Quinlan:** Yes, currently if you buy cigarettes on the Reservation and take those off it is an illegal sale and you are expected to remit the tax on the tax form provided on our website.

**John Job,, Division Manager of AMCON Distributing Company,** spoke in opposition to the bill. See written testimony.

**Rep. Drovdal:** Could you tell us what things like Minnesota and South Dakota remit and what the schedule is for wholesalers?

**Job:** They are a minimum pricing formula. What it does is it takes a manufacturer cost of the product and the state and the list price of the stamp and there is an up charge for the wholesalers to recoup his investment.

**Rep. Brandenburg:** You are doing the stamping for other states right now?  
And you are working four days a week stamping?

**Job:** Yes, they are. Ten hour shifts.

**Rep. Brandenburg:** You wouldn't do it at a loss. You would figure out how to make some money.

**Job:** Obviously.

**Matt Bjornson, Cavalier,** spoke in opposition to the bill.

**Bjornson:** My family has a retail business in Cavalier ND and I am here testifying on our behalf. I would agree that ND has a significant problem with tax evasion on cigarettes. The problem is, as it stands, this bill will not address our problem. It will do nothing to fix the problem that this state has. As a responsible retailer, as I believe my competitors are, I want to save all the excise taxes that are due collected. It makes for a level playing field in the retail market. When it comes to non Native American outlets, I can tell you from experience that the tax department does come out to retailers. They look at the sales and mark ups and wholesale purchases. I think they do a pretty good job of checking up on your regular retailers. But as you have heard, they have no authority on the Reservation. If all of the cigarettes sold on Reservations, were smoked on the Reservations you would need your fog lights on to drive through at high noon. It would be impossible for them to smoke that many cigarettes. Reputable retailers such as ourselves compete with these outlets and we are frankly frustrated with a tax being avoided on Reservations. I recognize and am very well intent the legislators have brought this forward to fix the problem. Phillip Morris's own people admit that they have not found a significant amount of counterfeit cigarettes in ND. In fact they told me this morning that they hadn't found any. You have to ask where the problem is. They recognize that often times; organized crime is involved in these activities. We are pretty tight nit group up in the northeast corner of the state. To compete in the retail market place, retailers need to participate in manufactured programs. It is basically a contract. We agree with the

manufacturers that they will allow us to participate in their discount program which is essential to be able to compete with other retailers and in return they dictate to us what kind of signs we will have and where they will be and how the product will be placed and they dictate things. I think it is important for you to know how important these contracts with manufactures are. It is important for you to know that they also contract with Native American Reservations and smoke shops. The place where the state is losing tax payers money. So the state has a problem of sovorgn immunity and it is pretty tough not to correct. How could we really address this problem and get it fixed? I say before coming to you that the cigarette manufacturers should come and notify outlets and in addition to all of their rules, they should say, if your business does not have a tax or stamp in the state of ND then therefore you are participating in tax evasion and we will not contract with you. That amount of power, through contracts is something that can help them and you save the solution to this problem and it would really demonstrate that the cigarette manufacturers really are interested in state tax collection. We are not going to fix tax evasion with this bill then we are passing this bill for the sake of Phillip Morris. I don't think that is your number one goal and I know it isn't retailers and wholesalers goal. We all want to see a level playing field. We want to see the taxes collected and this is the hammer that could be used. If you pass this bill and give them their stamping, they have no incentive to change the way they do business. It urques me that they come to my store and dictate how we are going to run our business and then go ten miles south of Devils Lake and participate with the retail business knowing that they are evading taxes. I think it's important to know that small retailers like me, we deal with small wholesalers. We don't like dealing with the big guys and I would hate to see you pass a bill that puts a bunch of additional expense on those in state businesses that we like to deal with. In all fairness, if the state is going to make them incur additional cost, we really should get an allowance that goes with the cost.

**Roger Borkas**, Wholesale supply company in Minot, spoke in opposition to the bill.

**Roger:** I too would like to speak in opposition because of the cost that has been explained.

Right now we stamp in those other states but we are to a minimal amount, we are not doing a lot. It would cost us money and additional people to do it. We would have to restructure our layout and business plan. I too don't believe that counterfeiting is a problem in ND and I have been in the business all of my life and I don't think I've ever seen a counterfeit pack. I have seen returns come back from other accounts with stamps from other states and what happens there is someone brings them in and says they got a carton by mistake and that is the only time we have ever seen. I think also that stamping is going to decrease, we are not a border town such as Fargo with MN people purchasing. Right now we want to keep our revenues high in this state because it helps infrastructure and there are not any more smokers in ND but more purchases in ND. I think the impact of the youth smoking is taking care of it. I also support Mr. Bjornson's decision on the assessment of and how the major cigarette companies could help counter this problem. The incentive is the same there, they could monitor this better than everybody. Maybe they should stamp at the national level.

**There were no questions from the committee. The hearing was closed. No action was taken at this time.**

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1358 B

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2184

Committee Clerk Signature *Mickie Schmitt*

### Minutes:

Chairman Belter opened the hearing on HB 1358. Amendments were passed out to the committee members. **(See attachment #1)** Chairman asked the Intern, Kyle to find out who drafted these amendments. I think we need these amendments explained to us. We'll hold this

Bill yet. We'll close the hearing on HB 1358.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1358 C

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2374

Committee Clerk Signature

*Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1358. This is the tobacco stamping Bill and we have John Walstad from Legislative Counsel to explain the amendments.

**John Walstad, Legislative Counsel:** I am not for or against the Bill or amendments. The two amendments before you, these are amendments that were provided by various tobacco interests and I put them on paper. I will explain what I understand they try to do. On #0101, this one is relating to sales of tobacco through vending machines and obtaining tobacco by minors. These are issues that the Legislature has seen before. This one prohibits the sales of tobacco products through a vending machine unless that machine is located in an area in which minors are not permitted access, i.e. bar, or when a sales person has to control the dispensing of the product. The first part makes it a non criminal offense for a minor to work up a fake ID to try to get cigarettes.

**Representative Froseth:** What does this do with the stamping issue?

**John Walstad:** It really doesn't relate to the stamping. It's the thing that controls obtaining cigarettes by minors which have as much connection in standing I guess as you think it does. It does relate to tobacco, so I guess it is to remain to the Bill, but it's not directly related to the tax issue.

**Representative Wrangham:** For the sake of explaining, I can possibly help a little there. That is so that in case of say a convenience store who wanted to have the cigarettes secured in a machine, and the money kept separate, they make the device for the machine so that the mechanical lock out, so the machine can't be operated unless the clerk from behind the counter presses the button to allow the person. That way the person has to come to the counter and prove their age and then they will enable the machine so they can make their purchase.

**Representative Pinkerton:** This Bill does not require stamps to be put on the cigarettes then?

**John Walstad:** The Bill does. The amendment does not.

**Representative Pinkerton:** This Bill requires stamps to go on all cigarettes that are distributed in North Dakota except those that are distributed to the Indian reservations?

**John Walstad:** That is correct.

**Representative Pinkerton:** Could you turn this around so the stamps are not required?

**John Walstad:** No. State law has only as much impact on a reservation as the tribal folks are willing to accept. State law cannot force tribal action on anything.

**Representative Froseth:** I don't even see a cigarette machine anymore. How many are used anymore?

**Representative Froelich:** You know that Standing Rock has got a compact with the State with gas and cigarette tax. I asked why the other tribes don't get the same thing. And this is the information that I received, he said well up at Fort Berthold, they are collecting gas and cigarette tax, the State is still getting their money out of it, they don't have a compact. I need certification on that. So I asked Rep. Schmidt in Fort Totten, does the tribe collect the cigarette tax on it? He said I'm not sure. And he assured me that the sales tax is not collected. This information that this attorney gave me says because they don't at Fort Berthold doesn't have a

compact, they're still collecting gas tax and that's what their haggle was with the tribe up there. So I need to talk to someone from the Tax Dept. and find out what each individual Indian Reservation is doing. This is the point of the contention is that the people on reservations are not paying the cigarette tax. I need to get to the bottom of that, I don't which ones are and which ones aren't.

**Chairman Belter:** I guess you can do that, but does it have any bearing on this Bill?

**Representative Froelich:** No, I need to correct because we can't enforce the Tribes to do anything. But my point being with the discussion was being held here the gentleman was saying that they're underselling on the reservation. And I'm not sure.

**Representative Pinkerton:** I did meet with the Tax people after the meeting and my understanding is that it is only Standing Rock that has a compact and they're the only ones who receive that aren't charging taxes.

**Representative Froelich:** That is true, they have this compact to collect the money, the State takes the money back and they give some money back to the Tribes that are the compact. But I believe some of the other Reservations are collecting gas and cigarette tax. I got to get to the bottom of this.

**Representative Vig:** When we had this Bill, it was how the Reservations get tobacco and it comes from ND Retailers and the stamp is provided by them and that's how the Reservations get their tobacco?

**John Walstad:** No ND Distributors are stamping cigarettes now, however the tobacco is reaching the Reservation retailers, and I don't think it's going to have a stamp on it.

**Chairman Belter:** Do you want to move the amendments?

**Representative Weiler:** I'll move the amendments 0101.

**Representative Headland:** Second it.

**Chairman Belter:** Any discussion? If not all in favor of the amendments 0101 signify by saying aye. The motion carries.

**Representative Brandenburg:** I move a Do Pass as Amended & Rerefered to Appropriations.

**Representative Owens:** Mr. Walstad said something about another amendment?

**Chairman Belter:** Yes... There are but we're just talking about this one.

**Representative Owens:** Second it.

**Representative Froelich:** I'm going to oppose it on the simple fact that the Tax Dept. come out and said we don't need it.

**Representative Pinkerton:** I also will oppose this Bill. I see there's no advantage to this Bill.

**Chairman Belter:** They could come from South Carolina; we're not necessarily dealing with cigarettes that are coming from another State. I mean it can be coming from a foreign country or, I just saw a program the other day they were talking about Al Kida that was moving millions of dollars worth of cigarettes out of North Carolina and selling them in Michigan, because I think the tax difference is like about \$7.00 a pack, and they were making millions of dollars and that would be an example of what you're talking about, but now days there's the possibility of cigarettes being made that aren't being handled by any State, they just can come in from wherever and not buy any reputable tobacco company and can get sold and buy stamping they maybe have a chance of catching some of those.

**Representative Pinkerton:** That is a frightening scenario. If there is someone who is sophisticated enough to avoid customs, then I would think they would be sophisticated enough to duplicate a stamp.

**Vice Chairman Drovdal:** As they pointed out that the Tax Dept. said this is not going to help them is very important, but there were no law enforcement officers in here saying that they

needed this in order to help them out and so to support the law enforcement officer, I'm going to oppose the Bill also.

**Chairman Belter:** Any other discussion? If not will the clerk read the roll; 7-y; 6-n; 1-absent;

Rep. Brandenburg will carry the Bill. We will close the hearing on HB 1358.

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/14/2007

Amendment to:           Engrossed  
                                  HB 1358

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1358 Second Engrossment removes the cigarette stamping requirement that was contained in the original bill. The tax department expenditures would not be affected by this bill.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The fiscal impact - if any - of the vending machine provisions or provisions affecting minors contained within this bill cannot be estimated by the tax department.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/14/2007

# FISCAL NOTE

Requested by Legislative Council

01/15/2007

Bill/Resolution No.: HB 1358

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$1,508,000			
<b>Appropriations</b>						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1358 reinstates the requirement that cigarette packs sold in the state must be affixed with a tax stamp.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The tax stamping requirements of HB 1358 would cause an increase in expenditures for the Tax Department totaling an estimated \$1.508 million for the 2007-09 biennium. These expenses include stamps, insured delivery of stamps, computer system changes, and two FTE.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/25/2007

