

FISCAL NOTE
Requested by Legislative Council
02/02/2007

Amendment to: HB 1190

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).*

Eng. HB 1190 changes the method of computing the excise tax on certain tobacco products.

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.*

In a previous session, the Legislature changed the excise tax on "snuff" and "chewing" tobacco to the current, weight-based method where the tax is computed per ounce of product. Eng. HB 1190 changes it back to 28% of the wholesale purchase price of the product. (Eng. HB 1190 also makes a technical definition change.)

In 2006, there were 3.911 million ounces of "snuff" and 184,000 ounces of "chewing" tobacco on which the excise tax was paid. The total tax collected on these products - which was based on ounces - was \$2.376 million.

The fiscal impact of switching back from the weight-based to the percentage of wholesale price method would depend on the relative "market share" of each of the various-priced products. Information on wholesale prices and market share have been supplied to us by industry representatives. The market share information varies, and the estimated fiscal effect using this industry supplied data, ranges from a possible loss of \$417,000 to a possible gain of \$283,000 for the biennium. The actual biennial fiscal impact of this bill, although unknown, likely falls between these two estimates: -\$417,000 and +\$283,000.

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.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/05/2007