

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: HB 1375

- 1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,415,000			
Appropriations						

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **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 1375 requires the tax stamping of cigarettes sold and possessed in this state.

- 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.*

If enacted, HB 1375 is expected to result in increased expenditures for the Office of Tax Commissioner estimated to total between \$1.305 and \$1.409 million for the 2013-15 biennium. This estimate includes the cost of stamps, postage, programming and 2 FTE. This bill would result in an increase of the Office of Attorney General's workload due to the following: • The Licensing Section would see an increase in its workload of approximately 800 – 900 hours a biennium to review the renewal application for completeness and to verify that the applicant and its owners do not owe more than \$500 in delinquent cigarette taxes or was are a tobacco participating manufacturer. With the law change, applicants would answer specific questions and provide information for persons having more than 15% ownership in the company. Incomplete applications would need to be returned for correction/completeness. Currently the application is reviewed for signatures and any changes that were made on the 1/3 of a page renewal form. This operating cost is estimated to be \$12,750 from the general fund. • The Licensing system would need the following modifications: o Modify initial and renewal tobacco license application forms o Record additional information pertaining to license ownership o Retain License history information o Interaction with the Tax

Department, which is not currently occurring This cost is estimated at \$52,000 from the general fund. The bill could also impact office legal staff enforcement of NDCC Chapter 51-25, tobacco product manufacturer sales, dealing with non-participating tobacco manufacturers to the tobacco master settlement agreement. At this point it is unclear whether this will occur. Additionally, the Office of Attorney General may need to provide significant legal assistance as a result. The cost of such assistance is not known at this time.

- 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.*

The Office of Attorney General's budget should be increased by \$64,750 from the general fund for the Licensing system modifications and additional temporary licensing staff costs. The legal services cost associated with taxing tobacco products on reservation land and possible NDCC Chapter 51-25 enforcement is unknown at this time. The Office of Tax Commissioner's budget should be increased by \$1.350 million from the state general fund for the costs associated with implementing this bill.

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