

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/21/2019**

Bill/Resolution No.: SB 2355

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$68,700,000			
<b>Expenditures</b>			\$250,000			
<b>Appropriations</b>			\$250,000			

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>		\$(1,300,000)	
<b>School Districts</b>			
<b>Townships</b>			

- 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).*

SB 2355 changes the taxation of all cigarette and tobacco products to a value-based, percentage of wholesale cost method of taxation.

- 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.*

Section 12 of SB 2355 imposes a cigarette tax of 28% of the wholesale cost. Section 18 repeals the existing tax on cigarettes, currently \$.44 per pack. Other tobacco products all become taxed at the rate of 28% of the wholesale cost under the provisions of this bill, including e-cigarettes and e-products.

The provisions that change the taxation method for cigarettes in this bill will result in a tax increase estimated to total approximately the equivalent of \$.68 per package, overall. The tax on premium cigarettes will be greater and the tax on discount cigarettes will be less than this average amount.

Section 16 of the bill distributes one percent of all collections to cities based on population.

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.*

If enacted, SB 2355 is expected to increase state general fund revenues by an estimated \$68.7 million in the 2019-21 biennium. This is due primarily to an increase in the tax on cigarettes, the inclusion of a wholesale tax on e-cigarette products, and a change to an ad valorem tax of 28% of the wholesale cost on tobacco products currently taxed on a per-ounce basis.

Cities currently receive \$.03 (of the total \$.44) per package of cigarettes. The provisions of SB 2355 would change the cities' share to one-percent of total tobacco tax collections. This is expected to reduce city revenues by an estimated \$1.3 million in the 2019-21 biennium.

- 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.*

There will be programming changes and administrative costs associated with this bill expected to total \$250,000 for the 2019-21 biennium.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

If enacted, SB 2355 will require an increased appropriation of \$250,000 to the tax commissioner's office for administrative costs.

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