

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0461

Date: July 18, 2013

Prime Sponsor(s): Rep. Kagan
Sen. Steadman

Bill Status: Signed into Law

Fiscal Analyst: Larson Silbaugh (303-866-4720)

TITLE: CONCERNING THE ELIMINATION OF THE STATE SALES AND USE TAX EXEMPTION FOR CIGARETTES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund - increase	\$28.0 Million	\$26.5 Million
State Expenditures General Fund	See state expenditures section.	
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The bill was signed into law by the Governor on May 28, 2013 and took effect July 1, 2013.		
Appropriation Summary for FY 2013-2014: None.		
Local Government Impact: None.		

Summary of Legislation

This bill eliminates the state sales and use tax exemption for cigarettes. The exemption for local taxing jurisdictions is unchanged.

Background

Prior to July 1, 2009, cigarettes were exempt from state sales and use taxes. Through various legislative actions, cigarettes were subject to the state sales and use tax from July 1, 2009, through June 30, 2013. Under current law, cigarettes become exempt from state sales and use taxes beginning July 1, 2013. The cigarette *sales and use tax exemption* does not impact cigarette *excise tax*.

State Revenue

Sales tax revenue to the General Fund will **increase \$28.0 million in FY 2013-14 and \$26.5 million in FY 2014-15**. This estimate is based on the number of packs of cigarettes expected to be sold based on the December 2012 Legislative Council Staff forecast for cigarette excise taxes,

and the estimated average price per package of cigarettes. The amount of additional revenue decreases over time because of declining cigarette consumption. In addition, the vendor fee increases from 2.2 percent in FY 2013-14 to 3.3 percent in FY 2014-15.

State Expenditures

Eliminating the sales tax exemption on cigarettes is similar to current tax policy and therefore will not have an impact on Department of Revenue expenditures. Taxpayers can be notified of the change from this bill within existing resources. However, increasing General Fund revenue will make additional money available for General Fund Appropriations or reserve increases.

Local Government Impact

This bill does not affect local sales and use tax exemptions for cigarettes.

Departments Contacted

Revenue
Municipalities
Health Care Policy and Financing

Counties
Public Health and Environment