

BILL SUMMARY
1st Extraordinary Session of the 56th Legislature

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| Bill No.: | HB 1099X |
| Version: | INT |
| Request Number: | 50028 |
| Author: | Re. Wallace |
| Date: | 9/25/2017 |
| Impact: | Tax Commission: |

FY-18 (partial year): \$122,920,00
(January,2018)

Full Year Estimate:
\$257,841,000

Research Analysis

HB1099, as introduced, establishes a tax on cigarettes equal to 75 mills per cigarette. For a standard pack containing 20 cigarettes, the tax is equivalent to \$1.50 per pack. Proceeds from the new tax will go to the General Revenue Fund.

Prepared By: Quyen Do

Fiscal Analysis

Previous analysis offered by the tax Commission includes estimates for FY-18 and full year:

\$1.50 per pack increase in cigarette tax – Calculated with an effective date of January 1, 2018

The Oklahoma Tax Commission – Revenue Forecast for FY 18 projects cigarette tax revenues of \$196,723,000 which equates to approximately 190,993,204 packs. Assuming a 10% reduction in consumption attributable to the rate increase yields a projected estimate of 171,893,884 cigarette packs sold. Applying the proposed increase to estimated pack sales would result in an increase in cigarette tax revenues of \$257,840,826. An estimated increase in cigarette tax revenues is anticipated for FY 18 in the amount of \$128,920,413 [$\$257,840,826 / 12 \text{ months} = \$21,486,735 \times 6 \text{ collection months} = \$128,920,413$].

FY 18 - \$128,920,000 estimated increase in cigarette tax revenues.

Additionally from the Tax Commission:

Section 2 of the measure prohibits the Oklahoma Tax Commission from selling cigarette excise tax stamps to any wholesaler in excess of the amount of the monthly average amount of such excise tax stamps sold to such wholesaler during the preceding calendar year prior to the effective date of Sections 1 and 2 of this Act unless the wholesaler can document to the satisfaction of the Tax Commission probable sales greater than those in the preceding calendar year.

Assuming an effective date of January 1, 2018 and applying the proposed increase to estimated pack sales would result in additional cigarette tax revenues as follows:

FY 18 - \$128,920,000 estimated increase in cigarettes tax collections [Six collection months]

FY 19 - \$257,841,000 estimate increase in cigarettes tax collections

Accruing to the General Revenue Fund, \$122,920,413 would be available for appropriation should the first month of collection be January, 2018 or \$102,061,994 with collections commencing in February.

Prepared By: Mark Tygret

Other Considerations

None.