

**BILL SUMMARY**  
1<sup>st</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2414</b>
<b>Version:</b>	<b>PCS1</b>
<b>Request Number:</b>	<b>8022</b>
<b>Author:</b>	<b>Rep. Leslie Osborn</b>
<b>Date:</b>	<b>5/16/2017</b>
<b>Impact:</b>	<b>Tax Commission:</b>
	<b>FY-18 Net Positive Revenue</b>
	<b>Cigarette Tax: \$215,000,000</b>
	<b>Motor Fuels: \$127,800,000</b>
	<b>Gross Production: Net Positive Revenue</b>
	<b>In FY-19 and Subsequent Years</b>

**Research Analysis**

HB2414 establishes a new cigarette tax equal to 75 mills (\$.075) per cigarette. For a standard package of 20 cigarettes, the tax amounts to \$1.50 per pack. The measure also creates several new funds that would be the beneficiary of the first \$185 million collected from the additional cigarette tax for the 10 month period between September 1, 2017 and June, 30, 2018. The new funds and apportionments are as follows:

- 50 percent to the Health Care Authority Enhancement Fund;
- 23 percent to the Mental Health and Substance Abuse Services Enhancement Fund;
- 14.5 percent to the Human Services Enhancement Fund;
- 5.4 percent to the Oklahoma State University Medical Authority Enhancement Fund;
- 2.7 percent to the Health Department Enhancement Fund

Any amount collected in excess of \$185 million in fiscal year 2018 would go to the General Revenue Fund.

After July 1, 2018 and each fiscal year thereafter, the first \$185 million collected from the additional cigarette tax would go to the Health Care Enhancement Fund and any excess collections would go to the General Revenue Fund.

The measure also creates a new tax on gasoline and diesel fuel equal to \$.06 per gallon. Revenue from the additional gasoline and diesel fuel tax would go the Rebuilding Oklahoma Access and Driver Safety (ROADS) Fund.

Furthermore, the measures reduce, from 36 to 18 months, the amount of time that oil and gas production is taxed at a reduced 2 percent rate. The change affects production from wells spudded on or after the effective date of the act.

Prepared By: Quyen Do

**Fiscal Analysis**

The Tax Commission indicates the provisions of the measure will result in net positive revenue for FY-18 to include \$215,000,000 from the increase in the cigarette excise tax, \$127,800,000 resulting from the changes in the motor fuel excise taxes and net positive revenue anticipated from the timing change in the gross production tax structure beginning in FY-19.

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**Other Considerations**

None.

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