

**BILL SUMMARY**  
1<sup>st</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2292</b>
<b>Version:</b>	<b>SAHB</b>
<b>Request Number:</b>	<b>NA</b>
<b>Author:</b>	<b>Rep. Dustin Roberts</b>
<b>Date:</b>	<b>4/27/2021</b>
<b>Impact:</b>	<b>Tax Commission</b>

**Potential Revenue Increase:**  
**\$2,461,295**

**Administrative Costs Estimates:**  
**\$687,482**

**Research Analysis**

The Senate amendment to HB 2292 creates the Tobacco Products Tax Enforcement Unit Revolving Fund, in which fines collected pursuant to the provisions of the measure shall be deposited. If the balance of the fund exceeds \$2 million at the end of any fiscal year, the excess shall be transferred to the General Revenue Fund.

The amendment also makes it unlawful for any person to transport or possess tobacco products on which tax has not been paid and exceed a sum of \$100; previously, the products only had to exceed a sum of \$1.

Prepared By: Emily McPherson

**Fiscal Analysis**

Analysis provided by the Tax Commission:

**Revenue Impact:**

Based on previous collection enhancement data, it is estimated that for every dollar expended for new field personnel including associated travel costs, five dollars in tax revenues will be realized. Consequently, for the two additional field auditors and eight new field agents added at the costs outlined below and assuming funding is available, an additional estimated \$2,461,395 in tobacco products tax collections would be anticipated.

Administrative costs associated with implementation are as follows for FY 22:

- Establishing and maintaining a unit to be known as the “Tobacco Products Tax Enforcement Unit”, to perform the inspection, auditing and enforcement tasks for 68 licensed tobacco wholesalers and 4,567 licensed tobacco retailers that are currently registered with the OTC as of January 2021. Initially, if funding is available, the OTC anticipates fully dedicating 10 new Compliance Division employees<sup>8</sup> to the duties of the Unit. The costs to hire additional field personnel are outlined as follows:

- Employment of two additional field auditors with average annual salaries of \$60,487 to perform in-state and out-of-state audits of wholesalers/retailers to ensure proper tax payments at a combined annual cost of \$120,974
- Employment of eight additional field representatives/agents with average annual salaries of \$33,288 to conduct inspections of wholesaler/retailers to find and confiscate untaxed tobacco products at a combined annual cost of \$266,304
  - ◆ Travel and other miscellaneous costs at an average estimated annual cost of \$10,500 per additional field auditor/field representative for a combined annual cost of \$105,000.
- Providing a dedicated telephone line and email address for licensed wholesalers, licensed retailers and the general public to report suspected violations of tobacco tax laws will require an annual administrative cost of \$204.
- Developing an electronic reporting system will require an increase in administrative costs of \$195,000 and a minimum of 4-5 months to develop and test.
- Tracking the number of wholesale/retail tobacco inspections and tobacco products tax audits conducted, the amount of untaxed tobacco products confiscated, the amount of taxes assessed and collected as the result of audits and confiscations, the number of suspected violations reported and the actions taken in response, and the number of fines issued and the amount of fines collected for purposes of compilation of an annual report for submission to the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives. A system to track, record, and compile similar enforcement, inspection, audit, and collection data is currently maintained by the Compliance Division. Consequently, minimal to no additional costs are estimated to be incurred as a result of this added reporting responsibility.

#### Net Administrative Costs

- \$687,482 increase in OTC administrative costs is estimated for FY 22.

<sup>8</sup> Two field auditors and eight field agents.

Prepared By: Mark Tygret

#### **Other Considerations**

None.