

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL       UPDATED
- CORRECTED     SUPPLEMENTAL

LRB # - 3396/3

INTRODUCTION # AB 501

Admin. Rule #

Subject

Sales of Cigarettes by American Indian Tribes in Wisconsin

Fiscal Effect

State:  No State Fiscal Effect      **See Text of Fiscal Note**  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation       Increase Existing Revenues
- Decrease Existing Appropriation       Decrease Existing Revenues
- Create New Appropriation

Increase Costs - May be Possible to Absorb  
 Within Agency's Budget  Yes  No

Decrease Costs

Local:  No Local Government Costs

1.  Increase Costs  
 Permissive  Mandatory
2.  Decrease Costs  
 Permissive  Mandatory

3.  Increase Revenues  
 Permissive  Mandatory
4.  Decrease Revenues  
 Permissive  Mandatory

5. Types of Local Governmental Units Affected:
- Towns     Villages     Cities
  - Counties    Others \_\_\_\_\_
  - School Districts    WTCS Districts

Fund Sources Affected

- GPR    FED    PRO    PRS    SEG    SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(a), 20.835 (2)(ep)

Assumptions Used in Arriving at Fiscal Estimate:

Native American Tribes are currently refunded 70% of cigarette taxes paid for sales of stamped cigarettes by authorized tribal retailers. This bill would eliminate the refund based on net cigarette sales of tribal retailers, and replace it with a refund based on actual sales to members of American Indian tribes at tribal retail outlets.

The amendments to s. 139.325 do not give the Department of Revenue the authority to unilaterally reduce or eliminate the refund rate. The bill requires the Department to enter into a new agreement with the tribes in order to implement any changes in the current refund system. Therefore, by itself, this bill has no fiscal effect.

If tribes would agree to fully comply with the proposal, and assuming that sales of cigarettes remain at the FY 1999 levels, cigarette tax refunds from the sale of cigarettes to non-tribal members at tribal retail outlets and elsewhere would decline by an estimated \$11 million annually.

This bill would also repeal sec. 139.32 (2m), which would eliminate the need for a tribal stamp on cigarettes sold at Native American smokeshops. This would make it difficult for the Department of Agriculture and the Department of Revenue to enforce the current minimum mark-up requirement for cigarette sales by non-tribal retailers. The distinctive Native American stamp affixed to cigarettes sold by tribal retailers prevents non-tribal retailers from purchasing cigarettes at prices below the minimum mark-up and illegally reselling them. Removing the distinctive stamp requirement would make it harder for both the Department of Revenue and Department of Agriculture to enforce the minimum mark-up requirement and prevent the illegal purchase and resale of tribal cigarettes by non-tribal cigarette retailers. To the extent that such illegal purchases and resale of tribal cigarettes occur, there will be a decline in cigarette tax revenue of an unknown magnitude.

In addition, if tribes agreed to this proposal, the Department would incur one-time development costs of \$37,700 and ongoing costs of \$48,300 in FY00 and \$162,500 in FY01 to counteract opportunities for cigarette tax evasion and related criminal activity.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue  John T. Stott, (608) 266-9706	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	10/20/99

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

\$37,700 in one-time development costs

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs FY01	Decreased Costs
State Operations - Salaries and Fringe (FTE Position Changes)	\$ 131,000	\$ -
State Operations-Other Costs	(3.0 FTE)	(- FTE)
Local Assistance		-
Aids to Individuals or Organizations		- see text
<b>TOTAL State Costs by Category</b>	<b>\$ 162,500</b>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 162,500	\$ - see text
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ - see text
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - see text</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 162,500 and see text	\$
NET CHANGE IN REVENUES	\$ see text	\$

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