

Fiscal Estimate Narratives

DOR 6/27/2005

LRB Number 05-1295/1	Introduction Number AB-451	Estimate Type Original
Subject Increase cigarette tax rate and use increased revenues for tobacco use control grants and medical assistance		

Assumptions Used in Arriving at Fiscal Estimate

Presently the cigarette tax rate in Wisconsin is 77 cents per pack. The bill increases the cigarette tax rate by \$1.00, to \$1.77 per pack. The bill also increases the tobacco products tax rate on the sale of chewing tobacco from 25% of the manufacturer's list price to 57% of the list price.

Under the bill, the first \$15 million of the cigarette taxes collected in each fiscal year will be used to pay for tobacco use control grants. In addition, each fiscal year the Department of Revenue will deposit an amount equal to the increased revenue on the sale of cigarettes, less \$15 million, and the increase in revenue from taxes imposed on chewing tobacco into the Medical Assistance trust fund. These allocations start in FY07. Additional revenue generated by the bill in FY06 will be deposited in the general fund.

The increase in the cigarette tax rate is estimated to raise cigarette tax revenues by \$108.5 million and \$184.9 million, in FY06 and FY07 respectively. This estimate assumes a 20% reduction in the cigarette tax revenue increase as a result of illegal activities such as stamp counterfeiting and cross border smuggling. Because of lack of specific data on chewing tobacco, these projections do not include potential increase in revenues as a result of the increase in the tobacco products tax rate on the sale of chewing tobacco.

The department projects one time costs under s. 20.566(1) (a) of \$5,000 for form changes, correspondence, printing and mailing, and one time costs under s. 20.566(3) (a) of \$10,800 for changes to database. These costs will be absorbed within the agency's budget.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Increase cigarette tax rate and use increased revenues for tobacco use control grants and medical assistance			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
FY06 revenue of \$108.5 million will be deposited to the general fund. The department projects one time costs under s.20.566(1) (a) of \$5,000 for form changes, correspondence, printing and mailing, and one time costs under s.20.566(3) (a) of \$10,800 for changes to database. These costs will be absorbed within the agency's budget.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	184,900,000		
TOTAL State Costs by Category	\$184,900,000		\$
B. State Costs by Source of Funds			
GPR	15,000,000		
FED			
PRO/PRS			
SEG/SEG-S	169,900,000		
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	\$15,000,000		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S	169,900,000		
TOTAL State Revenues	\$184,900,000		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$184,900,000		\$
NET CHANGE IN REVENUE	\$184,900,000		\$
Agency/Prepared By		Authorized Signature	Date
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