

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 05-2289/1		Introduction Number SB-211	
Subject Cigarette tax increases to fund medical assistance and tobacco use control grants			
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="text-align: center;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</div><input type="checkbox"/> Decrease Costs</div></div> Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><div style="display: flex;"><div style="width: 50%;">3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 50%;">4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div></div></div><div style="width: 33%;">5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div>			

Fund Sources Affected
☒ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS s.20.453(5)(fm)

Affected Ch. 20 Appropriations

Fiscal Estimate Narratives

DOR 6/27/2005

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Subject					
Cigarette tax increases to fund medical assistance and tobacco use control grants					

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

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Subject	
Cigarette tax increases to fund medical assistance and tobacco use control grants	
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):	
FY06 revenue increase of \$108.5 million will be deposited in 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	
	State Local
NET CHANGE IN COSTS	\$184,900,000 \$
NET CHANGE IN REVENUE	\$184,900,000 \$
Agency/Prepared By	
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	Paul Ziegler (608) 266-5773
Date	
6/27/2005	