

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-2752/2	Introduction Number AB-0534
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Description
 Prohibiting the sale of cigarettes containing nicotine and providing a penalty

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Local:

No Local Government Costs
 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	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s. 20.566 (1) (a)	

Agency/Prepared By	Authorized Signature	Date
DOR/ Jacek Cianciara (608) 266-8133	Paul Ziegler (608) 266-5773	12/17/2007

Fiscal Estimate Narratives

DOR 12/17/2007

LRB Number	07-2752/2	Introduction Number	AB-0534	Estimate Type	Original
Description Prohibiting the sale of cigarettes containing nicotine and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, cigarettes are defined in Wisconsin as any roll of tobacco which is wrapped in paper or wrapped in any substance other than tobacco. Effective January 1, 2008, Wisconsin 2007 Act 20 (the 2007-09 budget bill) increases the cigarette tax by \$1.00 per pack, from \$0.77 to \$1.77, and the tobacco products tax on all tobacco, other than moist snuff, from 25% of the manufacturer's list price to 50.0% of the list price. In addition, under the act, the tax on moist snuff is converted from an ad valorem, price-based tax, to a weight based tax at the rate of \$1.31 per ounce.

Based on the new Act 20 cigarette tax rate, total cigarette tax revenues are estimated at \$456.5 million in FY08 and \$531.0 million in FY09. In addition, under the new tobacco products tax rates, tobacco products tax revenues are estimated at \$28.9 million in FY08 and \$41.2 million in FY09.

The proposed legislation prohibits the sale of cigarettes containing nicotine in Wisconsin. The penalty for violating the ban is a fine not to exceed \$10,000.

The fiscal impact of the bill is unknown. The bill may, however, create a substantial reduction in state tax revenues in both the short term and long term.

The ban will immediately stop the legal sale of cigarettes containing nicotine. This may have several results:

1. Some individuals will buy other tobacco products containing nicotine, such as cigars. Consequently, tobacco products tax revenues will increase and cigarette tax revenues will decline.
2. Other smokers will buy nicotine-free cigarettes. To the extent that smoking nicotine-free cigarettes allows smokers to quit more easily, cigarette tax revenues will decline over time compared to current law.
3. Another portion of smokers will continue to purchase cigarettes containing nicotine by buying cigarettes upon which the Wisconsin cigarette tax is not paid – either through purchases over the Internet or from individuals smuggling cigarettes into the state.

The department estimates that it would incur one-time expenses of \$549,000 and ongoing expenses of \$1,061,800 to fund an additional 13.0 FTE revenue auditors and excise tax agents to enforce the ban under the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description Prohibiting the sale of cigarettes containing nicotine and providing a penalty			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One time cost of \$549,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$957,200		\$
(FTE Position Changes)	(13.0 FTE)		
State Operations - Other Costs	104,600		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$1,061,800		\$
B. State Costs by Source of Funds			
GPR	1,061,800		
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	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$1,061,800		\$
NET CHANGE IN REVENUE	\$unknown-decrease		\$
Agency/Prepared By			
DOR/ Jacek Cianciara (608) 266-8133		Authorized Signature	Date
		Paul Ziegler (608) 266-5773	12/17/2007