

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 18, 2007**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: SB667** by Carona (Relating to the tax imposed on certain tobacco products.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB667, As Introduced: a positive impact of \$91,368,000 through the biennium ending August 31, 2009.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$39,239,000
2009	\$52,129,000
2010	\$56,907,000
2011	\$61,985,000
2012	\$64,464,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2008	\$39,239,000
2009	\$52,129,000
2010	\$56,907,000
2011	\$61,985,000
2012	\$64,464,000

**Fiscal Analysis**

The bill would amend Section 155 of the Tax Code relating to the tax imposed on snuff. The bill would define "snuff" as any finely cut, ground, or powdered tobacco that is not intended to be smoked and would create a separate tax rate for snuff. The bill would require each distributor, wholesaler, bonded agent, and export warehouse to maintain records of the net weight as listed by manufacturer for each unit, at each place of business on all tobacco products purchased or received.

Under current law the tax rate for tobacco products (including snuff) is 40 percent of a manufacturer's list price and the bill would change the tax rate for snuff to \$1 per ounce, with a proportionate tax rate on all fractional parts of an ounce. The tax on snuff would be computed based on the net weight as listed by the manufacturer and the total tax on a unit containing multiple individual cans or packages would be the sum of the taxes imposed on each individual can or package intended for sale or distribution at retail.

The bill would allocate a portion of the proceeds from the collection of taxes imposed by this bill to the Property Tax Relief Fund 304. The portion allocated would be equal to the amount that would

have been collected on snuff under the current law rate of 40 percent of a manufacturer's list price in excess of the amount that would have been collected on snuff under the previous 35.213 percent tax rate.

The bill would take effect September 1, 2007.

### **Methodology**

The Comptroller of Public Accounts utilized data obtained on snuff consumption, both public and private, to calculate the potential fiscal impact which included adjustments for implementation and phase-in effects. The Comptroller reported that there would be no significant fiscal impact to the Property Tax Relief Fund 304, because the mechanism for calculating the deposits of revenue attributable to the tax on snuff would not change.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, CT, SD, EB