

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 15, 2009

**TO:** Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

**IN RE: HB2377** by Turner, Sylvester (Relating to the tax imposed on certain tobacco products.), **As Introduced**

The bill will have a direct impact of a revenue gain to the Property Tax Relief Fund of \$72,150,000 for the 2010-11 biennium. Any gain to the Property Tax Relief Fund will free up General Revenue of the same amount.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2010	\$31,943,000
2011	\$40,207,000
2012	\$33,114,000
2013	\$38,259,000
2014	\$40,767,000

Fiscal Analysis

The bill would amend Chapter 155, Tax Code, regarding the tax imposed on snuff.

The bill would create a separate tax rate for snuff, as defined in the bill, at \$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. 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. A distributor, wholesaler, bonded agent, and export warehouse would be required to maintain records of the net weight as listed by the manufacturer for each unit of snuff purchased, acquired or received.

The bill would allocate to the Property Tax Relief Fund 0304 the tax revenue collected in excess of the revenue that would have been collected had the snuff been taxed at a rate of 35.213 percent of the manufacturer's list price.

The bill would take effect September 1, 2009.

### **Methodology**

To calculate the potential fiscal impact the Comptroller of Public Accounts used public and private data obtained on snuff consumption. The proposed \$1 per ounce tax rate was applied to the average annual volume of snuff sold in Texas, and the resulting revenues were then compared to the estimated revenue attributable to snuff for the 2010-11 Biennial Revenue Estimate. The result was trended forward over the projection period and adjusted for implementation and phase-in effects.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JOB, MN, SD