

**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: HB3339** by Hopson (Relating to the tax on cigarettes.), **As Introduced**

The bill could have a direct impact of a revenue gain to the Property Tax Relief Fund of \$55,916,000 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	\$26,661,000
2011	\$29,255,000
2012	\$25,542,000
2013	\$28,159,000
2014	\$24,468,000

**Fiscal Analysis**

This bill would amend Chapter 154 of the Tax Code, regarding the cigarette tax by providing an alternative method for levying the tax on cigarettes. The tax would be the greater of (1) the current tax of \$70.50 per 1,000 cigarettes, or (2) a tax of 55 percent of the manufacturer's list price, exclusive of trade discount, special discount, or deal.

The bill would allocate to the Property Tax Relief Fund 0304 the cigarette tax revenues collected in excess of the revenue that would have been collected had the cigarettes been taxed at the rate of \$20.50 per 1,000 cigarettes.

The bill would take effect September 1, 2009.

## **Methodology**

The Comptroller of Public Accounts indicates that due to the ambiguity of Section 154.021(b), as amended by the bill, it is unclear what tax rate would apply and in precisely what circumstance. Therefore, the fiscal implications of this bill cannot be determined.

As an illustrative example, however, and assuming rates would be utilized such that revenue were maximized, the following implications to the Property Tax Relief Fund 0304 may occur.

## **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