

**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: HB4417** by Hopson (Relating to the cigars and tobacco products tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4417, As Introduced: a negative impact of (\$6,800,000) through the biennium ending August 31, 2011.

**The bill will also have a direct impact of a revenue loss to the Property Tax Relief Fund of \$23,200,000 for the 2010-11 biennium. Any loss to the Property Tax Relief Fund will have to be made up with General Revenue of the same amount to fund property tax relief.**

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

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$4,200,000)
2011	(\$2,600,000)
2012	(\$400,000)
2013	(\$181,000)
2014	\$0

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

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Property Tax Relief Fund</i> 304
2010	(\$4,200,000)	(\$10,800,000)
2011	(\$2,600,000)	(\$12,400,000)
2012	(\$400,000)	(\$14,600,000)
2013	(\$181,000)	(\$14,819,000)
2014	\$0	(\$15,000,000)

**Fiscal Analysis**

The bill would amend Chapter 155 of the Tax Code, regarding the taxes on cigars and tobacco products by amending the chapter's definitions.

Under the provisions of the bill, the new definition, for an affiliate, would mean a person who controls, is controlled by, or is under common control with another person. The definition for a manufacturer would be amended to add an affiliate, as defined by this bill, as a person to whom a manufacturer could sell tobacco products.

The bill would take effect September 1, 2009.

## **Methodology**

According to the Comptroller of Public Accounts, the bill would eliminate the positive fiscal implications associated with a proposed amendment to Rule 3.121, incorporated into the estimate for the cigar and tobacco products tax in the *2010-11 Biennial Revenue Estimate*.

The proposed amendment to Rule 3.121, concerning the definitions, imposition of tax permits and reports for the cigar and tobacco products tax would clarify, with regard to the computation of the taxes addressed by the rule and the provisions of Chapter 155 of the Tax Code, the term "manufacturer's list price."

## **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