

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 5, 2011

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

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

IN RE: HB2599 by Ritter (Relating to the definition of chewing tobacco for purposes of the taxes imposed on cigars and other tobacco products and to the rate of the tax imposed on chewing tobacco.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 155 of the Tax Code, regarding cigars and tobacco products taxes.

The bill would define chewing tobacco in this chapter as any leaf tobacco that is not snuff and that is suitable for chewing or not intended to be smoked. The bill would remove from the definition for a tobacco product that is chewing tobacco various examples of what chewing tobacco includes.

The bill would reduce the tax rate on chewing tobacco from the current \$1.13 per ounce to \$0.80 per ounce, and would exclude chewing tobacco from the chapter's provisions that annually raise the tax rate for tobacco products other than cigars through fiscal 2014.

The bill would repeal Section 155.0211(b-3), relating to the tax rate on tobacco products other than cigars for the fiscal year beginning September 1, 2010.

According to the Comptroller of Public Accounts (CPA), the change in the taxation of tobacco products other than cigarettes and cigars in House Bill 2154, Eighty-first Legislature, Regular Session, 2009 significantly reduced the level of consumption of chewing tobacco. As a typical package of chewing tobacco is about three times the weight of a can of snuff, the switch to a weight-based tax had a disproportionate effect on the price of this product. The analysis of the proposed tax change determined that consumption levels of chewing tobacco would rebound sufficiently, due to lower retail prices for this product, thus there would be no significant change in revenue collections in the 2012-13 biennium from this tax.

The bill would take effect September 1, 2011.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD, AG