

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**March 20, 2011**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

**IN RE: HB2602** by Alvarado (Relating to an increase in the cigarette tax and the enforcement and uses of the tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2602, As Introduced: a positive impact of \$1,189,154,000 through the biennium ending August 31, 2013.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$497,877,000 for the 2012-13 biennium. Any loss to the Property Tax Relief Fund will be made up with General Revenue of the same amount.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$540,484,000
2013	\$648,670,000
2014	\$563,074,000
2015	\$601,782,000
2016	\$522,376,000

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

Fiscal Year	Probable Revenue Gain/ (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/ (Loss) from <i>Property Tax Relief Fund</i> 304	Probable Revenue Gain/ (Loss) from <i>GR Account—Office of Smoking and Health</i>
2012	\$540,484,000	(\$199,685,000)	\$27,024,000
2013	\$648,670,000	(\$298,192,000)	\$32,433,000
2014	\$563,074,000	(\$260,304,000)	\$28,154,000
2015	\$601,782,000	(\$285,111,000)	\$30,089,000
2016	\$522,376,000	(\$240,980,000)	\$26,119,000

**Fiscal Analysis**

The bill would amend Chapter 154 of the Tax Code, regarding the cigarette tax, to increase the tax rate on cigarettes weighing three pounds or less per thousand cigarettes to \$123 per thousand cigarettes (\$2.46 per pack of 20 cigarettes) from \$70.50 per thousand cigarettes (\$1.41 per pack).

The bill would allocate the proceeds from the tax attributable to the portion of the rate in excess of \$70.50 per thousand cigarettes to General Revenue Fund 0001. From the revenue allocated to Fund

0001, an amount attributable to a tax rate of \$2.50 per thousand cigarettes would be credited to new GR Account—Office of Smoking and Health.

The bill would take effect September 1, 2011.

### **Methodology**

This analysis was based on the Comptroller of Public Accounts 2012-13 Biennial Revenue Estimate. The proposed tax rate increase would have a negative effect on taxable consumption of cigarettes in Texas. The consumption loss will result in reduced allocations from this tax to the Property Tax Relief Fund 0304. Potential revenue collections were adjusted for consumption and tax avoidance effects and for collections lags.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JOB, KK, AG