

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 15, 2011

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

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

**IN RE: SB268** by Uresti (Relating to the distribution, possession, purchase, consumption, receipt, and taxation of tobacco products; providing penalties.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB268, As Introduced: a negative impact of (\$12,109,000) through the biennium ending August 31, 2013.

Additionally, the bill will have a direct impact of a revenue gain to the Property Tax Relief Fund of \$19,971,000 for the 2012-13 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
2012	(\$5,675,000)
2013	(\$6,434,000)
2014	(\$6,125,000)
2015	(\$6,211,000)
2016	(\$5,717,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from General Revenue Fund 1	Probable Revenue Gain/ (Loss) from Property Tax Relief Fund 304	Probable Revenue Gain/ (Loss) from Physician Ed. Loan Repayment 5144
2012	(\$5,675,000)	\$9,121,000	(\$625,000)
2013	(\$6,434,000)	\$10,850,000	(\$679,000)
2014	(\$6,125,000)	\$9,431,000	(\$686,000)
2015	(\$6,211,000)	\$10,349,000	(\$669,000)
2016	(\$5,717,000)	\$8,947,000	(\$656,000)

Fiscal Analysis

The bill would amend Chapter 161 of the Health and Safety Code to increase the legal age for the sale, distribution, possession, purchase, consumption, or receipt of cigarettes or tobacco products from 18 to 19 years of age. Section 161.455, regarding requirements for a person mailing or shipping cigarettes in connection with a delivery sale order, would be repealed.

The bill would amend Chapter 154 of the Tax Code to increase the tax rate on cigarettes weighing three pounds or less per thousand cigarettes to \$71.50 per thousand cigarettes (\$1.43 per pack of 20 cigarettes) from \$70.50 per thousand cigarettes (\$1.41 per pack).

**Methodology**

The Comptroller of Public Accounts indicates that the bill would reduce the use of tobacco products by 18 year-old Texans by 33 percent. The reduction in the use of cigars and other tobacco products would lead to reduced revenue contributions to General Revenue Fund No. 0001, Property Tax Relief Fund No. 0304, and General Revenue-Dedicated Account, Physician Education Loan Repayment No. 5144 from the cigar and tobacco products tax. The reduction in the use of cigarettes would lead to reduced revenue contributions to General Revenue Fund No. 0001 and Property Tax Relief Fund No. 0304.

The revenue gain associated with the cigarette tax rate increase would be to Property Tax Relief Fund No. 0304, as Section 154.6035 of the Tax Code directs proceeds from the portion of the tax rate in excess of \$20.50 per thousand cigarettes to be deposited to Fund 0304.

**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, SD, AG