

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 2, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1390 by Hinojosa (Relating to taxes and fees imposed on cigarettes and other tobacco products, including an exemption to the cigarette tax, related administrative matters, and the elements of certain related offenses.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1390, As Introduced: a positive impact of \$11,974,000 through the biennium ending August 31, 2019.

Additionally, the bill will have a direct impact of a revenue gain to the Property Tax Relief Fund of \$1,149,000 for the 2018-19 biennium. Any gain to the Property Tax Relief Fund will reduce an equal amount of General Revenue cost needed to fund the Foundation School Program.

However, any revenue gain to the state in the 18-19 biennium will be offset by a corresponding loss in the following biennium.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$11,974,000
2020	(\$11,974,000)
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Property Tax Relief Fund</i> 304
2018	\$0	\$0
2019	\$11,974,000	\$1,149,000
2020	(\$11,974,000)	(\$1,149,000)
2021	\$0	\$0
2022	\$0	\$0

Fiscal Analysis

The bill would amend Subchapter V of Chapter 161 of the Health and Safety Code, regarding the fee on non-settling manufacturers' cigarettes and other tobacco products. Section 161.604, regarding the rate of that fee, would be amended to move the date of computation for the next year's fee rates from January to February. Section 161.605, regarding distributor reports and payment of the fee, would be amended to remove compliance with the provisions of the cigarette tax recovery trust fund as a requirement for a distributor to receive the 3 percent stamping allowance discount.

The bill would amend Chapter 154 of the Tax Code, regarding the cigarette tax, to exempt from the tax all cigarettes used exclusively for research purposes and to move the due date for distributor reports from the last day to the 25th day of the month.

The bill would amend Chapter 155 of the Tax Code, regarding cigars and tobacco products taxes, to move the due date for distributor reports from the last day to the 25th day of the month.

The bill would take effect September 1, 2017.

Methodology

While exempting cigarettes for research could lead to a revenue loss, the amount is not expected to be substantial. The date change for cigar and tobacco products distributor reports also changes the due date for tax payments to the 25th of each month. Under current law, when a month ends on a weekend, the payment is due the next business day. Fiscal 2019 ends on a weekend which, under current law, will shift revenue received in the last month of that year to the first month of 2020. The bill's provisions would move that revenue back into 2019.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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