

## FISCAL NOTE

### SB 1277 - HB 1159

March 8, 2001

**SUMMARY OF BILL:** Increases minimum age requirement to legally purchase tobacco from 18 years of age to 21 years of age.

#### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - \$2,470,000**

**Decrease Local Govt. Revenues - \$300,000**

Estimate assumes:

- based on information contained in the 2000 Tennessee Statistical Abstract, the estimated state population of ages 18-20 is approximately 238,948, which represents approximately 6.5% of the state's population of ages 18 and older.
- based on information contained in the Center for Disease Control Behavioral Risk Factor Survey, approximately 25% of 18-24 year olds smoke. This would equate to 59,737 [238,948 x 25%] users of tobacco products in Tennessee.
- passage of the bill would reduce the sale of tobacco products in Tennessee and change the method in which persons in this age group obtain tobacco products. Some would travel to other states and others would have a person of legal age purchase tobacco products for them.
- purchases by persons 18-20 years of age would constitute approximately 2% of the total revenues resulting from tobacco use.
- a total decrease in state revenues of approximately \$2,474,206 calculated as follows:
  - state sales tax revenue - \$829,260 [sales tax base of \$13,821,003, calculated as 2% of total tobacco tax revenues on cigarettes, cigars, and other tobacco products of \$691,050,164].
  - state privilege tax revenue - \$1,644,946 [2% of state privilege tax revenues of \$82,247,348].
- a total decrease in local government revenues of approximately \$310,973 as a result of a decrease in sales tax revenue [sales tax base of \$13,821,003, calculated at 2% of total tobacco tax revenues on cigarettes, cigars, and other tobacco products.]
- based on information provided by the Department of Agriculture, they are currently enforcing the minimum age requirement to purchase tobacco products. As a result the department estimated no additional resources would be needed if the minimum age was raised to 21.

For information purposes:

- The privilege tax on cigarettes is 13 cents per pack of 20.
- FY99-00 collections from cigarette taxes was \$75,742,268.
- The privilege tax on cigars and other tobacco products is 6% of the wholesale price.
- FY99-00 collections from cigars and other tobacco products were \$6,505,040.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director