

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 199 – HB 225

April 10, 2015

SUMMARY OF ORIGINAL BILL: Redefines “cost of doing business by the retailer” under the Unfair Cigarette Sales Law as fifteen percent of the basic cost of cigarettes to the retailer, rather than eight percent.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact – \$131,300

Increase Local Revenue – \$2,145,800

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$128,895,600

SUMMARY OF AMENDMENT (006254): Deletes all language after the enacting clause. Redefines “cost of doing business by the retailer” under the Unfair Cigarette Sales Law from eight percent of the basic cost of cigarettes to the retailer, to: eleven percent beginning July 1, 2015 until June 30, 2016; thirteen percent beginning July 1, 2016 until June 30, 2017; and fifteen percent beginning July 1, 2017 and thereafter.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Net Impact – \$11,200/FY15-16
\$56,400/FY16-17
\$131,300/FY17-18 and Subsequent Years

Increase Local Revenue – \$957,600/FY15-16
\$1,557,800/FY16-17
\$2,145,800/FY17-18 and Subsequent Years

The Governor’s FY15-16 proposed budget recognizes a recurring decrease in state revenue of \$131,300.

Assumptions for the bill as amended:

- The fiscal analysis for the bill as amended is computed using the same methodology and calculations used in the original fiscal note. For the purposes of brevity, such

calculations have been omitted from this fiscal memorandum; however, such information is available upon request of the Fiscal Review Committee staff.

- The net decrease in state revenue is estimated to be: \$11,242 in FY15-16 (\$2,357,950 decrease in cigarette tax collections - \$2,346,708 increase in sales tax collections); \$56,408 in FY16-17 (\$3,873,775 decrease in cigarette tax collections - \$3,817,367 increase in sales tax collections); and \$131,265 in FY17-18 and subsequent years (\$5,389,600 decrease in cigarette tax collections - \$5,258,335 increase in sales tax collections).
- The total increase in local sales tax revenue is estimated to be: \$957,628 in FY15-16; \$1,557,764 in FY16-17; and \$2,145,783 in FY17-18 and subsequent years.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

**Increase Business Revenue – \$56,081,600/FY15-16
\$92,895,300/FY16-17
\$129,220,000/FY17-18 and Subsequent Years**

Assumptions for the bill as amended:

- The “cost of doing business by the retailer” will increase by: \$0.15, from \$0.41 to \$0.56 per 20-pack of cigarettes, in FY15-16; \$0.25, from \$0.41 to \$0.66 per 20-pack of cigarettes, in FY16-17; and \$0.35, from \$0.41 to \$0.76 per 20-pack of cigarettes, in FY17-18 and subsequent years as a result of this bill as amended.
- The number of 20-pack cigarettes sold is estimated to be 388,076,013 under current law and: 384,272,868 in FY15-16; 381,827,989 in FY16-17; and 379,383,110 under this bill as amended.
- Business revenue collected from the “cost of doing business by the retailer” portion is estimated to be \$159,111,165 ($\$0.41 \times 388,076,013$) under current law, and: \$215,192,806 ($\$0.56 \times 384,272,868$) in FY15-16; \$252,006,473 ($\$0.66 \times 381,827,989$) in FY16-17; and \$288,331,164 ($\$0.76 \times 379,383,110$) in FY17-18 and subsequent years under this bill as amended. All of this revenue is assumed to be retained by the cigarette retailers.
- As a result, it is estimated that business revenue for such retailers will increase by: \$56,081,641 in FY15-16 ($\$215,192,806 - \$159,111,165$); \$92,895,308 in FY16-17 ($\$252,006,473 - \$159,111,165$); and \$129,219,999 in FY17-18 and subsequent years ($\$288,331,164 - \$159,111,165$) as a result of this bill as amended.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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