

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1440 - SB 2593

March 2, 2016

SUMMARY OF BILL: Requires any wholesale dealer and jobber authorized to affix tax stamps to packages of cigarettes or required to pay tax on tobacco products other than cigarettes who, on the effective date of any increase in the rate of tax imposed on cigarettes or other tobacco products, possesses for sale an inventory of unaffixed cigarette tax stamps, cigarettes bearing a Tennessee tax stamp, or other tobacco products upon which Tennessee tax has been paid, to pay an additional tax on such inventory, equal to the difference between the increased tax rate and the previous tax rate.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – A one-time increase in state revenue coinciding with any future increase in the rate of tax imposed on cigarettes or other tobacco products. Due to multiple unknown factors, the timing and extent of any such increase cannot be determined with reasonable certainty. However, for each one cent increase in the cigarette tax rate, there will be a one-time increase in state revenue estimated to be \$400,000.

Assumptions:

- The proposed legislation will result in an increase in state revenue in any instances where the rate of tax imposed on cigarettes or other tobacco products is increased.
- Due to multiple unknown factors, such as the timing of any such tax rate increase, the extent of any such tax rate increase, and the inventory levels of cigarettes and other tobacco products held by wholesale dealers and jobbers upon which the tax has been paid, the timing and extent of any such increase in revenue cannot be determined with reasonable certainty.
- However, based on information provided by the Department of Revenue, the proposed legislation is estimated to result in a one-time increase in state revenue of approximately \$400,000 for each one cent increase in the cigarette tax rate.

CERTIFICATION:

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

Handwritten signature of Krista M. Lee in blue ink.

Krista M. Lee, Executive Director

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