

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **1100**

HOUSE BILL NUMBER **247**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to tobacco excise taxes and making an appropriation therefor.**

SPONSOR **Representative D. Watkins**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		General Fund \$107,000,000 Restricted Fund \$2,300,000	General Fund \$97,600,000 Restricted Fund \$ 2,910,000	
EXPENDITURES				
NET EFFECT		General Fund \$107,000,000 Restricted Fund \$2,300,000	General Fund \$97,600,000 Restricted Fund \$ 2,910,000	

() indicates a decrease/negative

MEASURE'S PURPOSE: This proposal, if enacted, would increase the cigarette excise tax by 50 cents per pack, increase the excise taxes on snuff, chewing tobacco and all other forms of tobacco products by 20%, and impose an excise tax on electronic cigarettes at the rate of 18% of the wholesale sales price. A floor stock tax on cigarettes, snuff, chewing tobacco and all other forms of tobacco products is also proposed to insure that all products in inventory at the time of the excise tax increases will be taxed at a comparable rate. One cent (\$0.01) of the excise tax on cigarettes would be deposited in the fund created in KRS 222.221 to be used by the Cabinet for Health and Family Services in the distribution of smoking cessation products to both juveniles

and adults. All other revenues from this proposal would be deposited in the General Fund.

PROVISIONS/MECHANICS: Amends KRS 138.130 to define "electronic cigarette" and include the term in the definition of "tobacco products"; amends KRS 138.140 to increase the cigarette excise tax by 50 cents and direct that revenues from one cent of the levy shall be used by the Cabinet for Health and Family Services to support the distribution of smoking cessation products; imposes an excise tax on electronic cigarettes at the rate of 18% of the amount paid, increase the excise tax on units of snuff and chewing tobacco by 20%, and increase the excise tax on all other types of tobacco products from 15% to 18% of the amount paid; imposes a floor stock tax on cigarettes, snuff, chewing tobacco, electronic cigarettes, and all other types of tobacco products; amend KRS 138.165 to make conforming changes; and makes an appropriation to the fund created in KRS 222.221.

FISCAL EXPLANATION: This proposal, if enacted, will have an estimated positive impact on the General Fund of \$107,000,000 in fiscal year 2016-2017 and \$97,600,000 in fiscal year 2017-2018. There will also be an estimated positive impact to the fund created in KRS 222.221 of \$2,300,000 in fiscal year 2016-2017 and \$2,910,000 in fiscal year 2017-2018. There will be no impact to these funds in fiscal year 2015-2016 as the tax increase does not take effect until August 1, 2016.

DATA SOURCE(S): Perry Nutt, staff economist

PREPARER: Charlotte T. Quarles **NOTE NUMBER:** 47 **REVIEW:** JRS **DATE:** 1/29/2016