## Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2016 Regular Session

## **Part I: Measure Information**

Bill Request #: 110	00			
Bill #: HB 247				
Bill Subject/Title:	AN ACT relating to tobacco excise taxes and making an appropriation thereof.			
Sponsor: Rep. Day	rid Watkins			
Unit of Government:	City County Urban-County Unified Local			
	Charter County Consolidated Local Government			
Office(s) Impacted:	No local government office impacted.			
Requirement: X	Mandatory Optional			
Effect on Powers & Duties:	X Modifies Existing X Adds New Eliminates Existing			
Part II: Purpose and Mechanics				
IID 247 defines electr	rania aigarattas as a tahagaa produat, saparata from aigarattas			

HB 247 defines electronic cigarettes as a tobacco product, separate from cigarettes.

Under this proposal, electronic cigarette means any device used to simulate smoking that contains a heating element, battery, electronic circuit, a power source and can be used to deliver a vapor of nicotine or any other substance.

Electronic cigarette includes e-cigarettes, e-cigars, e-pipes, or similar products, any vapor cartridge or other container of a liquid solution or other material that is intended to be used with or in the device; and any component of the device or related product, that may be sold with or without the device.

HB 247 establishes a fund in KRS 222.221 to be used by the Cabinet of Health and Family Services in the distribution of smoking cessation products to both juveniles and adults. One cent of the cigarette surtax will be used to fund this.

HB 247 increases the following tobacco taxes effective August 1, 2016 as detailed below:

Description		Current Rate		<b>Proposed Rated</b>	
Surtax on each 20 cigarettes:	\$	0.56	\$	1.06	
Excise tax on 1.5 oz snuff:	\$	0.19	\$	0.23	
Excise tax on single unit of chewing tabacco:	\$	0.19	\$	0.23	
Excise tax on each half-pound of chewing tobacco:	\$	0.40	\$	0.48	
Excise tax on each pound of chewing tobacco:		0.65	\$	0.78	
Excise tax on each 4 oz unit over a pound:	\$	0.23	\$	0.19	
Excise tax on tobacco products sold except snuff and					
chewing tobacco (based on distributor price):		15%		18%	
Excise tax on untaxed tobacco products purchased by					
retailer, except snuff and chewing tobacco:		15%		18%	

HB 247 also provides for a one time floor tax based on a physical inventory of tobacco products in the control of retailers and sub-jobbers as of 11:59 p.m. on July 31, 2016. The floor stock tax may be paid in three installments. The proposed floor tax rates are detailed below:

Description	<b>Proposed Rated</b>		
Floor stock tax on each 20 cigarettes (one-time tax):	\$	0.50	
Floor stock tax on each unit of snuff:	\$	0.04	
Floor stock tax on each unit of chewing tobacco:	\$	0.04	
Floor stock tax on each half-pound of chewing tobacco:	\$	0.08	
Floor stock tax on each pound of chewing tobacco:	\$	0.13	
Floor stock tax on the actual amount paid for the E-cigs:		18%	
Floor stock tax on all other types of tobacco products:		5%	

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

## The impact of HB 247 on local governments is expected to be nil.

The tobacco surtax and the tobacco excise taxes are state-levied and no funds derived from these taxes benefit local governments directly.

**Data Source(s):** LRC Staff

 Preparer:
 Wendell F. Butler
 Reviewer:
 JWN
 Date:
 1/28/16