

**FISCAL NOTE**

## Source of revenue increase:

This bill would increase the excise tax on cigarettes by a total of 5 cents per cigarette, or \$1 per pack of 20 cigarettes, increasing the tax from \$0.60 per pack to \$1.60 per pack. This bill would also increase the excise tax on moist snuff from \$0.60 per ounce to \$1.60 per ounce, and increase the excise tax on cigars, snuff and other tobacco products by 166<sup>2/3</sup> percent.

## Assumptions:

Applying the January 2019 CREG forecast of current cigarette tax collections, the proposed excise tax increase on cigarettes would result in a revenue increase to the General Fund of approximately \$22.7 million per year and a revenue increase to local governments of approximately \$4.0 million per year. These projections assume constant rates of consumption under the January 2019 CREG forecast and the current tax rate of \$0.60/pack.

The proposed excise tax increase on moist snuff, cigars, snuff and other tobacco products would result in a revenue increase to the General Fund of approximately \$9.1 million per year. This projection is based on FY 2018 actual revenues from moist snuff, cigars, snuff and other tobacco products, and assumes rates of consumption remain at FY 2018 levels.

Wyoming fiscal notes have historically not reflected dynamic analyses. In other words, the estimates do not traditionally anticipate changes to consumption patterns resulting from a change in tax rates. Fiscal analyses do consider revenues collected and tax rates in other States, however. The new rate of \$1.60/pack proposed in this bill would be similar to South Dakota (\$1.53/pack) or Utah and Montana (\$1.70/pack), and higher than rates of other neighboring states: Idaho (\$0.57/pack), Nebraska (\$0.64/pack), Colorado (\$0.84/pack), as of December 21, 2018.

Judging from consumption patterns in those states, including estimated purchases of cigarettes by non-residents, purchases of cigarettes by state residents in other jurisdictions, and the elasticity of demand (how consumption varies with price), the assumption of constant demand given the proposed increase in price is unlikely. As a result, while the above estimates illustrate the increased revenue under constant demand, these amounts will not be incorporated into the LSO Fiscal Profile until consumption patterns are subsequently identified.

**NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED**

This bill has administrative impact that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.

The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:

Department of Revenue

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