

**FISCAL NOTE**

This bill increases the excise tax on cigarettes by 7 cents/cigarette, or \$1.40/pack of 20 cigarettes, increasing the tax from \$0.60/pack to \$2.00/pack. This bill also reduces the licensed wholesaler discount from 6% to 2% and changes the distribution of the cigarette tax to 72% to the General Fund, 18% to local governments and 10% to the proposed Tobacco Cessation Program Account. This bill also increases the excise tax on moist snuff from \$0.60/ounce to \$2.60/1.2 ounces and increase the excise tax on other tobacco products by 280 percent. This bill also includes electronic smoking devices in the definition of other tobacco products and provides for the reporting and taxation of floor stock.

Applying the January 2020 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 \$26.2 million per year, a revenue increase to local governments of approximately \$7.6 million per year and distribute roughly \$5.5 million to the proposed Tobacco Cessation Program Account. These projections assume constant rates of consumption under the January 2020 CREG forecast at the current tax rate of \$0.60/pack.

The proposed excise tax increase on moist snuff and other tobacco products would result in a revenue increase to the General Fund of approximately \$22.6 million per year and distribute roughly \$3.7 million to the proposed Tobacco Cessation Program Account. This projection is based on FY 2019 actual revenues from moist snuff, cigars, snuff and other tobacco products, and assumes rates of consumption remain at FY 2019 levels.

Wyoming fiscal notes have historically not reflected dynamic analyses. In other words, 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 \$2.00/pack proposed in this bill would be higher than the rates of neighboring states: South Dakota (\$1.53/pack) Utah and Montana (\$1.70/pack), Idaho (\$0.57/pack), Nebraska (\$0.64/pack) and Colorado (\$0.84/pack), as of January 1, 2019.

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

Prepared by: Dean Temte, LSO Phone: 777-7881

(Information provided by Terri Lucero, Department of Revenue, 777-5220)