

Revised to reflect AM365.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

As amended, LB 106 defines "tobacco products" and differentiates their tax treatment from that of "smoking tobacco." Currently, tobacco products are taxed at 20% of their wholesale price. Under LB 106, such products would be taxed at \$1.05 per ounce, and at the same proportion for every fraction of an ounce above the first. Smoking tobacco would remain at its current tax rate and method.

Based on estimates of the current market, it is reasonable to assume that this bill would generate extra revenue. Under the assumption of constant sales and market share, it is estimated that LB 106 would result in a revenue increase of approximately \$3.75 million in FY08, and approximately \$5 million per year in years thereafter. It is estimated that sales volume would have to decrease by approximately 60% before the State would realize a revenue loss due to a decrease in sales quantity.

At some point in time, a weight based method of taxation would result in a revenue loss when compared to the current method of taxation, as it is not automatically adjusted for inflation or any other increase in wholesale price; the point in time at which this loss would begin to occur cannot be readily determined, but given constant sales and market share numbers, it can be reasonably assumed that it would not be within the next 20 years.

All revenue collected from taxes imposed on tobacco products is credited to the Tobacco Products Administration Cash Fund. Any receipts, after credits and refunds, in excess of the amounts sufficient to cover the costs of administration may be transferred to the General Fund at the direction of the Legislature.

The Department of Revenue estimates minimal implementation costs for this bill.

IMPACT ON POLITICAL SUBDIVISIONS: This bill does not appear to have a material fiscal impact on political subdivisions.