

HB 544 INTRODUCED BY MOORE, ET AL.
RAISING CIGARETTE SALES TAX FOR GENERAL FUND

1/30 INTRODUCED
1/30 REFERRED TO TAXATION
1/30 FISCAL NOTE REQUESTED
2/04 FISCAL NOTE RECEIVED
2/20 HEARING
3/17 HEARING
3/18 COMMITTEE REPORT--BILL NOT PASSED
3/19 ADVERSE COMMITTEE REPORT ADOPTED

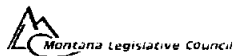
65 31

1 House BILL NO. 544
 2 INTRODUCED BY Scott Moore
 3 Sean
 4 Cunnelly
 5 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE
 6 CIGARETTE SALES TAX; DEPOSITING THE PROCEEDS OF THE INCREASE
 7 IN THE GENERAL FUND; AMENDING SECTIONS 16-11-111 AND
 8 16-11-119, MCA; AND PROVIDING AN EFFECTIVE DATE."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 Section 1. Section 16-11-111, MCA, is amended to read:
 11 "16-11-111. Cigarette sales tax. There is hereby
 12 levied, imposed, and assessed and there shall be collected
 13 and paid to the state of Montana upon cigarettes sold or
 14 possessed in this state the following excise tax which shall
 15 be paid prior to the time of sale and delivery thereof: ~~16~~
 16 21 cents on each package containing not more than 20
 17 cigarettes and, when packages contain more than 20
 18 cigarettes, then a tax on each cigarette equal to 1/20th the
 19 tax on a package containing not more than 20 cigarettes.
 20 Section 2. Section 16-11-119, MCA, is amended to read:
 21 "16-11-119. Disposition of taxes -- retirement of
 22 bonds. All moneys collected under the provisions of
 23 16-11-111, less the expense of collecting all the taxes
 24 levied, imposed, and assessed by said section, shall be paid
 25 to the state treasurer and deposited as follows:

1 (1) ~~79.75%~~ 60.76% in the long-range building program
 2 fund in the debt service fund type; and
 3 (2) ~~20-25%~~ 15.43% in the long-range building program
 4 fund in the capital projects fund type; and
 5 (3) 23.81% in the general fund.
 6 NEW SECTION. Section 3. Effective date. This act is
 7 effective July 1, 1987.

-End-



STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB544, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing the cigarette sales tax; depositing the proceeds of the increase in the General Fund; and providing an effective date.


ASSUMPTIONS:

1. Current law revenue from the cigarette tax is \$10.908 million in FY1988, and \$10.291 million in FY1989 (REAC).
2. A tax increase changing the cigarette tax from 16 cents to 21 cents per pack will not change the number of cigarette packs sold. A study by the National Bureau of Economic Research shows that consumption declines only one percent for each 10 percent increase in the total price of the products, so the assumption is approximately correct. Other studies reach similar conclusions.
3. Revenue effects include a one-month timing lag in the first year of the biennium.

FISCAL IMPACT:

Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Cigarette Tax	\$ 10,908,000	\$ 14,033,000	\$ 3,125,000	\$ 10,291,000	\$ 13,507,000	\$ 3,216,000
<u>Fund Information:</u>						
Long-Range Building						
Debt Service	\$ 8,699,000	\$ 8,699,000	\$ 0	\$ 8,207,000	\$ 8,207,000	\$ 0
Long-Range Building						
Cash Program	2,209,000	2,209,000	0	2,084,000	2,084,000	0
General Fund	0	3,125,000	3,125,000	0	3,216,000	3,216,000
Total	\$ 10,980,000	\$ 14,033,000	\$ 3,125,000	\$ 10,291,000	\$ 13,507,000	\$ 3,216,000

 DATE 2/3/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

 DATE 2-4-87
 JANET MOORE, PRIMARY SPONSOR

Fiscal Note for HB544, as introduced

HB 544