

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7981**  
**BILL NUMBER: HB 1457**

**DATE PREPARED: Jan 8, 2001**  
**BILL AMENDED:**

**SUBJECT: Cigarette Tax.**

**FISCAL ANALYST: Brian Tabor**  
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**FUNDS AFFECTED:  GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT: State**

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		193,400,000	195,000,000
State Expenditures			
Net Increase (Decrease)		193,400,000	195,000,000

**Summary of Legislation:** This bill increases the Cigarette Tax by \$0.25 per pack. It also reduces the distributor's discount for purchasing Cigarette Tax stamps by an amount proportionate to the increase in the tax rate.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** The Department of State Revenue may incur some administrative expenses related to the revision of forms and collection procedures to incorporate the tax increase. These expenses can be absorbed given the Department's existing budget.

**Explanation of State Revenues:** This bill increases the current \$0.155 cents tax per cigarette pack to \$0.405 cents per pack. This increase would affect state revenues beginning in FY 2002. Based on the December 19, 2000 Indiana revenue forecast for cigarette tax collections, this bill is projected to increase total state revenue by \$193.4 M in FY 2002 and by \$195.0 M in FY 2003. Cigarette Tax revenue is distributed to the General Fund, Mental Health Fund, Cigarette Tax Fund, and Pension Relief Fund as shown below in Table A:

TABLE A: FY 2002 Impact (by Fund) of a \$0.25 Per Pack Cigarette Tax Increase

<b>Fund</b>	<b>Share of Total Revenue</b>	<b>Distribution with current \$0.155 tax</b>	<b>Distribution with proposed \$0.405 tax</b>	<b>Impact of \$0.25 per pack increase</b>
General Fund	45.16%	\$55.4 M	\$142.8 M	\$87.4
Mental Health Fund	3.23%	\$4.0 M	\$10.2 M	\$6.2
Cigarette Tax Fund	22.58%	\$27.7 M	\$71.4 M	\$43.7
Pension Relief Fund	29.03%	\$35.6 M	\$91.8 M	\$56.2
<b>TOTAL</b>	100.00%	\$122.7 M	\$316.1 M	<b>\$193.4 M</b>

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** December 19, 2000 State Revenue Forecast.