

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

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7624**

**BILL NUMBER:** SB 466

**NOTE PREPARED:** Feb 20, 2007

**BILL AMENDED:**

**SUBJECT:** Cigarette Taxes and Tobacco Products Taxes.

**FIRST AUTHOR:** Sen. Meeks

**FIRST SPONSOR:** Rep. Kersey

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides a Cigarette Tax Credit to a cigarette distributor for an uncollectible debt to the extent that the uncollectible debt: (1) is included in the cost of Cigarette Tax stamps purchased by the distributor; and (2) resulted from a transfer of cigarettes to a retailer. The bill also provides a Tobacco Tax Deduction to a tobacco products distributor from the Tobacco Products Tax for uncollectible debts resulting from wholesale sales of tobacco products.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Cigarette and Tobacco Products (OTP) tax forms, as well as update computer software. It is estimated that the provisions of this bill could be implemented within the existing level of resources available to the DOR.

**Explanation of State Revenues:** This bill will cause an indeterminable decrease in Cigarette and OTP Tax collections. The bill allows cigarette and OTP distributors to either receive a credit against the Cigarette Tax or a deduction from the OTP Tax for a certain portion of uncollectible debt relating to the sale of cigarettes or OTP's by the distributor.

Under the bill, a cigarette distributor is entitled to a credit against the Cigarette Tax in an amount equal to the distributor's receivables that:

- (1) are attributable to the purchase of cigarette stamps on cigarettes transferred to a retailer;
- (2) resulted from a transfer to a retailer in which the distributor did not collect the cigarette tax on those cigarettes transferred; and

(3) were written off as uncollectible debt for federal tax purposes under Section 166 of the Internal Revenue Code.

Also, under this bill, OTP distributors are entitled to a deduction equal to the distributor's receivables that:  
(1) resulted from a wholesale transaction on which the distributor already paid OTP Tax; and  
(2) were written off as uncollectible debt for federal tax purposes under Section 166 of the Internal Revenue Code.

If a distributor receives a credit or deduction under this bill and later collects the debt, the distributor must remit the amount later collected in the distributor's OTP or Cigarette Tax return.

Cigarette and OTP Tax is deposited in the: Cigarette Tax Fund (6.6%), Mental Health Center Fund (0.94%), state General Fund (83.97%), and the Pension Relief Fund (8.49%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

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

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Adam Brown, 317-232-9854.