

**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 7368

BILL NUMBER: SB 371

NOTE PREPARED: Jan 9, 2009

BILL AMENDED:

SUBJECT: Nonsmoking Tobacco Products Tax.

FIRST AUTHOR:

FIRST SPONSOR:

BILL STATUS:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill increases the Tobacco Products Tax (nonsmoking) from 24% to 31% of the wholesale price. It reduces the collection allowance from 0.006 to 0.0052 of the amount due. It also provides that \$1,500,000 of the revenue from the increase is appropriated to the Department of Health for prenatal substance abuse programs and the remainder of the increase is deposited in the Indiana Check-up Plan Trust Fund.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill could increase the administrative costs of the DOR. The DOR will have to amend tax forms, as well as update computer software to collect the Tobacco Products Tax at the increased rate. 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: *Summary-* This bill is estimated to increase Tobacco Products Tax revenue by \$3.4 M in FY 2010 and \$3.5 M in FY 2011.

The bill provides that \$1.5 M of the revenue from the increase is appropriated to the Department of Health for prenatal substance abuse programs and the remainder of the increase is deposited in the Indiana Check-up Plan Trust Fund each fiscal year. The Indiana Check-up Plan Trust Fund would receive approximately \$1.9 M in FY 2010 and \$2 M in FY 2011.

Background Information- Under current statute, 25% of the Tobacco Products Tax revenue is distributed to

the Affordable Housing and Community Development Fund. The remaining revenues are allocated to Medicaid reimbursements (2.46%), the Health Initiative Fund (4.1%), reimbursing the General Fund for the Health Plan Tax credit (2.46%), Cigarette Tax Fund (4.22%), the Mental Health Centers Fund (0.6%), the state General Fund (53.68%), the Pension Relief Fund (5.43%), and the Indiana Check-Up Plan Trust Fund (27.05%). Under this bill, all of these funds will receive proportionately the same revenue distribution they had before, with the increase in revenue being distributed to the Department of Health for prenatal substance abuse programs and the Indiana Check-up Plan Trust Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; Department of Health.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Diana Agidi, 317-232-9867.