

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6850

BILL NUMBER: HB 1405

NOTE PREPARED: Jan 10, 2011

BILL AMENDED:

SUBJECT: Tobacco Matters.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill defines "dissolvable tobacco product". It provides that a dissolvable tobacco product and small cigars are taxed for purposes of the tobacco products tax at a rate of 65% of the wholesale price of the dissolvable tobacco product or small cigars. It defines "blunt wrap". It also requires the Alcohol and Tobacco Commission to revoke a tobacco sales certificate of an establishment that sells blunt wraps if that establishment is not a tobacco business.

The bill requires the Attorney General to post in the tobacco master settlement agreement directory notice of any removal from the directory of a tobacco product manufacturer or brand family at least 90 days before the Attorney General removes the tobacco product manufacturer or brand family from the directory. It provides that a distributor may not purchase cigarettes of a tobacco product manufacturer or brand family later than 30 days after the Attorney General provides notice that the tobacco product manufacturer or brand family will be removed from the directory. It provides that the Attorney General may not remove a particular brand style of cigarettes from the directory, for a period of one year, if the tobacco product manufacturer, for marketing purposes, voluntarily terminates fabrication or repackages the particular brand style.

The bill also provides that a blunt wrap may be sold only in an establishment that has as its primary purpose the sale of tobacco products (tobacco business). It provides that a person or retail establishment that knowingly: (1) sells or distributes a dissolvable tobacco product or blunt wrap to a person less than 18 years of age; or (2) purchases a dissolvable tobacco product or blunt wrap for delivery to a person less than 18 years of age; commits a Class C infraction. It also provides that a person who is less than 18 years of age who: (1) purchases a dissolvable tobacco product or blunt wrap; (2) accepts a dissolvable tobacco product or blunt wrap for personal use; or (3) possesses a dissolvable tobacco product or blunt wrap, commits a class C infraction. The bill provides that a dissolvable tobacco product or blunt wrap is considered a tobacco product for purposes of provisions relating to the regulation of tobacco vending machines.

Effective Date: July 1, 2011.

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 tax change in this bill. It is estimated that the provisions of this bill could be implemented within the existing level of resources available to the DOR.

Alcohol and Tobacco Commission: This bill requires the ATC to revoke a tobacco sales certificate of an establishment that sells blunt wraps if that establishment is not a tobacco business. Any impact of ATC's expenditures should be minimal.

Attorney General (AG): The bill requires the AG to post in the tobacco master settlement agreement directory notice of any removal from the directory of a tobacco product manufacturer or brand family at least 90 days (current statute requires not later than 30 days) before the AG removes the tobacco product manufacturer from the directory. Any impact on AG's expenditures should be minimal.

Explanation of State Revenues: *Tobacco Products Tax Revenue:* This bill would increase Tobacco Tax revenue by an indeterminable amount. The bill provides that dissolvable tobacco products and small cigars are taxed for purposes of the Tobacco Products Tax at a rate of 65% of the wholesale price. Under current statute, other tobacco products are taxed at a rate of 24% of the wholesale price. In FY 2011, other Tobacco Tax revenue totaled \$28.6 M.

Background Information - Of the Tobacco Products Tax revenue, 25% is distributed to the Affordable Housing and Community Development Fund. The remaining revenues are allocated to Medicaid reimbursements (2.46%), Cigarette Tax Fund (4.22%), the Mental Health Centers Fund (0.6%), the state General Fund (54.5%), the Pension Relief Fund (5.43%), the State Retiree Health Benefit Trust Fund (5.74%) and the Check-Up Plan Trust Fund (27.05%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; ATC; AG.

Local Agencies Affected: Trial courts, local law enforcement agencies.

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