

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1025, PCS

SHORT TITLE: Cigarette Tax - No Stamps

SPONSOR(S): Senator(s) Kerr and Cooper

FISCAL IMPACT: Expenditures: Increase () Decrease (X)
 Revenues: Increase () Decrease ()
 No Impact ()
 No Estimate Available ()

FUNDS AFFECTED: General Fund (X) Highway Fund () Local Fund ()
 Other Fund ()

BILL SUMMARY: The proposed legislation makes the following revisions in Article 2A of the General Statutes; Chapter 105:

(1) Eliminates the use of stamps and establishes a reporting method for recording the payment of the excise tax on cigarettes; payable in the same manner as other tobacco products. (Monthly reporting method.)

(2) Eliminates the 7/.24 cent discount per stamp for handling and affixing stamps to packages of cigarettes. The bill allows a 4% discount of the excise tax owed the State in place of the 7/.24 cent discount.

(3) Creates a new general statute citation, G.S. 105-113.40A to set forth civil, criminal, and licensing penalties for violation of tax provision.

EFFECTIVE DATE: Effective January 1, 1994

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:

Department of Revenue
Cigarette excise tax collections

FISCAL IMPACT
ESTIMATE
(\$ Millions)

	<u>FY</u> 93-94	<u>FY</u> 94-95	<u>FY</u> 95-96	<u>FY</u> 96-97	<u>FY</u>
97-98					
EXPENDITURES					
RECURRING	(\$.600)	(\$ 1.15)	(\$ 1.13)	(\$ 1.11)	
(\$1.1)					

ASSUMPTIONS AND METHODOLOGY: The cost to the State in FY 91-92, for the purchase of stamps including postage was \$277,184. In FY 91-92, the cost to the State for allowing a discount of 7/.24 cent per stamp was

\$2,507,447. In FY 91-92, if the 4% discount had applied to cigarettes, based on excise tax collections of \$39.91 million, the cost to the State would have been \$1,596,440 for a savings of approximately \$900,000. (The difference between \$2,507,447 and \$1,596,440.) Based on the cost of the stamps for FY 91-92, and the estimated savings from allowing distributors a 4% discount rather than a discount of 7/.24 cent per stamp, in the same year, the savings would have been \$1,177,184. (The total of \$277,184 plus \$900,000.) In the first fiscal year the savings would be 1/2 of a full fiscal year because of an effective date of January 1, 1994.

The estimates take into account a 2% decline in the in the number of packs sold each year. This number was derived by calculating an average percent change in the number of packs for which the excise stamp tax was affixed to between FY 87-88 and FY 91-92.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: The passage of this legislation does not address any additional costs or savings such as the elimination or reallocation of any internal administrative costs within the Department of Revenue.

FISCAL RESEARCH DIVISION

733-4910

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DATE: May 18, 1993

[FRD#003]



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