Bill No.: HB 1841
Version: CS
Request Number: 6884
Author: Rep. Leslie Osborn
Date: 2/17/2017
Impact: Tax Commission:
Revenue Increase
FY-18: $214.9 Million
FY-19: $257.8 Million

Research Analysis

Pending
Prepared By: Marcia Goff

Fiscal Analysis

From the Tax Commission:

Under the proposal the current cigarette tax rate is modified as follows:

Packs of 20s – $1.03 per pack to $2.53 per pack
Packs of 25s – $1.2875 per pack to $2.7875 per pack

The Oklahoma Tax Commission – Revenue Forecast for FY 18 projects cigarette tax revenues of $196,723,000 which equates to approximately 190,993,204 packs. Assuming a 10% reduction in consumption attributable to the rate increase yields a projected estimate of 171,893,884 cigarette packs sold. Applying the $1.50 proposed increase to estimated pack sales would result in an increase in cigarette tax revenues of $257,840,826.

HB 1841 proposes an effective date of September 1, 2017. For FY 18, the estimated increase in cigarette tax revenues is $214,867,355 [$257,840,826 / 12 months = $214,867,355]. For FY 19, the estimated increase in cigarette tax revenues is $257,840,826.

Prepared By: Mark Tygret

Other Considerations

The Committee Substitute provides an FY-18 apportionment schedule for revenue collected from the new levy:
<table>
<thead>
<tr>
<th>Agency</th>
<th>Apportionment</th>
<th>FY-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care Authority</td>
<td>45.0%</td>
<td>96,690,310</td>
</tr>
<tr>
<td>Mental Health</td>
<td>28.0%</td>
<td>60,162,859</td>
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<tr>
<td>Human Services</td>
<td>13.5%</td>
<td>29,007,093</td>
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<tr>
<td>University Hospitals</td>
<td>5.4%</td>
<td>11,602,837</td>
</tr>
<tr>
<td>OSU Medical Center</td>
<td>5.4%</td>
<td>11,602,837</td>
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<tr>
<td>Department of Health</td>
<td>2.7%</td>
<td>5,801,419</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>1</strong></td>
<td><strong>$214,867,355</strong></td>
</tr>
</tbody>
</table>

**FY-19 Revenue Estimate** $257,841,000

Apportioned to Heath Care Enhancement Fund for appropriation

Beginning July 1, 2018 all collections are to be deposited in the newly created Heath Care Enhancement Fund and will be subject to Legislative appropriations.

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