

Reading a Tax Revenue Estimate from the MN Department of Revenue

Sections of a Revenue Estimate

A. Title of Proposed Estimate:

This may be identified with a house file number if available or a bill draft number. If this bill has a house file number, the revenue estimate will be publicly posted on the Minnesota Department of Revenue's [website](#).

B. Budget Estimates by Fund:

The estimated direct impact of the proposed tax change by fund and fiscal year, compared to current law, is reflected. Positive budget numbers indicate revenue gain and negative estimates indicate revenue loss. The state fiscal years included in the estimate are the state fiscal years covered in the economic forecast window which include the current biennium and the tails.

C. Proposal Description:

A brief description of the current law compared to the proposal. The effective date that the estimate is based on should also be included in this section.

D. Methodology:

Shows information about the estimate's data limitations, data sources, assumptions (elasticity), adjustments and any interactions with other taxes.

E. Agency Signature:

Agency time stamp detail.

A. Title

Cigarette Health Impact Fee
Proposal for \$1.29 Increase

B. Budget Estimates

	FY 2010	FY 2011	FY 2012	FY 2013
			(\$000s)	
Cigarette Excise Tax	\$0	(\$23,000)	(\$24,300)	(\$23,500)
Sales Tax on Cigarettes	\$0	(\$1,900)	(\$1,900)	(\$1,800)
General Fund Net Impact	\$0	(\$24,900)	(\$26,200)	(\$25,300)
Cigarette Fee	\$0	\$173,000	\$188,600	\$188,300
Floor Stocks Tax	\$0	\$24,500	\$0	\$0
Health Impact Fund Total	\$0	\$197,500	\$188,600	\$188,300
Total – All Funds	\$0	\$172,600	\$162,400	\$163,000

Assumed to be effective July 1, 2010

C. Proposal Description

The proposal would be to increase the cigarette health impact fee \$1.29, from 75¢ per pack to \$2.04 per pack. The additional excise tax revenue from the \$1.29 excise tax increase would be deposited in the Health Impact Fund. A floor stocks tax (i.e. a tax on current inventories) of \$1.29 per pack on cigarettes would be imposed and deposited in the Health Impact Fund.

The proposal is to have the existing cigarette tax of 48¢ per pack of 20 remain the same. The total excise tax and fee would increase to \$2.52.

It is assumed that the in-lieu sales tax would be increased at the same time to reflect the higher price.

D. Methodology

- February 2010 forecast amounts are used.
- For fiscal year 2011, sales of 229,040,000 packs of cigarettes are estimated under current law. For the \$1.29 per pack tax increase, an elasticity factor of -0.8725 is applied reducing the number of packs sold to 176,756,000. This is a reduction of 52,284,000 packs.
- A weighted average price per pack of \$5.67 (including the in-lieu sales tax) is estimated for fiscal year 2011, based on survey data from the Department of Revenue Special Taxes Division. Cigarette prices are assumed to grow at 2% per year.
- The change in refunds is estimated as a proportional increase.
- Fiscal year 2011 is adjusted for 11 months of collections.
- The floor stocks tax is based on 19 million packs.

E. Agency Signature

Minnesota Department of Revenue
Tax Research Division
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