

**FINAL
FISCAL NOTE**

Drafting Number: LLS 11-0455 **Date:** June 20, 2011
Prime Sponsor(s): Rep. Kagan **Bill Status:** Signed into Law
 Sen. Steadman **Fiscal Analyst:** Fiona Sigalla (303-866-3556)

TITLE: CONCERNING THE TEMPORARY CONTINUATION OF THE STATE SALES AND USE TAX ON CIGARETTES.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue General Fund	\$27.6 million	\$26.3 million
State Expenditures		
FTE Position Change		
Effective Date: The bill was signed into law by the Governor and took effect on May 19, 2011.		
Appropriation Summary for FY 2011-2012: None.		
Local Government Impact: None.		

Summary of Legislation

This bill temporarily extends the state sales and use tax to the sale of cigarettes for FY 2011-12 and FY 2012-13. Local sales and use taxes would not be affected by this bill.

Background. Prior to July 1, 2009, cigarettes were exempt from the state sales and use tax. House Bill 09-1342, which was signed into law on June 1, 2009, suspended this exemption for FY 2009-10 and FY 2010-11. The state also levies an excise tax on cigarettes of 84 cents a pack. Vendors retain 4 percent of the first 20 cents of this excise tax to compensate them for the cost of collecting the tax.

State Revenue

Sales tax revenue to the General Fund will increase **\$27.6 million** in FY 2011-12 and **\$26.3 million** in FY 2012-13. This estimate is based on the average change in the number of packs of cigarettes sold in Colorado over the past 5 years and the cigarette price forecast from Ozrezechowski & Walker. The revenue estimate has been reduced because, under current law, vendors will begin retaining 2.22 percent of the taxes they collect on July 1, 2011. The impact of this bill was affected by Senate Bill 11-223, which lowered the vendor fee from 3.33 percent to 2.22 percent until June 30, 2014.

Departments Contacted

Revenue Law