

March 4, 2015

The Honorable Les Donovan, Sr., Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 203 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 203 is respectfully submitted to your committee.

SB 203 would amend the Kansas Cigarette and Tobacco Products Act pertaining to licensure, enforcement, penalties and fines. Specifically, it would change the definitions of cigarettes, e-cigarettes, dealer, dealer establishment, and tobacco specialty store, and add a definition for “conspicuous location or place.” It also includes provisions that would strengthen enforcement of counterfeit cigarettes. In addition, dealer license fees and fines for violations would increase, and an increased tier of fines for multiple violations would be provided. Further, the bill would clarify who would be eligible for licensure and require electronic filing of tax returns.

SB 203 would institute a procedure for processing cigarettes and property seized and would require forfeiture proceeds and fines to be remitted to the Cigarette and Tobacco Products Regulation Fund to be used by the Department of Revenue exclusively for cigarette and tobacco products regulation. Finally, it would allow the Governor, subject to ratification by the Legislature, to negotiate and execute an agreement with the governing body of any federally recognized Indian tribe within Kansas concerning the collection and dissemination of any cigarette tax or other tobacco product tax on sales of products sold on that tribe’s reservation.

The Department of Revenue estimates SB 203 would increase annual revenue from license fees to the Cigarette and Tobacco Products Regulation Fund by \$300,000 beginning in FY 2016. The estimate includes \$25,000 for additional revenues expected from fines. While the Department has limited its estimate to a 25.0 percent increase above current receipts, it indicates additional revenue could exceed this estimate due to greater enforcement. The Department

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indicates it would use the additional revenue to hire new staff for cigarette and tobacco products regulation and to meet the requirements of the Tobacco Master Settlement Agreement. Any fiscal effect associated with SB 203 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, KDOR
Willie Prescott, Attorney General's Office