

MINNESOTA • REVENUE

TOBACCO PRODUCTS TAX AND FEE Change Tax Base for Moist Snuff

April 14, 2009

Department of Revenue
Analysis of S.F. 1909 (Dibble) / H.F. 2191 (Davnie)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>
	(000's)			
General Fund	\$3,000	\$3,400	\$3,100	\$2,900
Health Impact Fund	<u>\$3,000</u>	<u>\$3,400</u>	<u>\$3,100</u>	<u>\$2,900</u>
Total – All Funds	\$6,000	\$6,800	\$6,200	\$5,800

Effective August 1, 2009

EXPLANATION OF THE BILL

The excise tax on tobacco products other than cigarettes is 35% of the wholesale price, and there is an additional health impact fee of 35%, for a total of 70%. The four primary categories of tobacco products are cigars, loose tobacco, chewing tobacco, and moist snuff.

The proposal would change the tax base for moist snuff from wholesale price to weight. The excise tax rate would be 88¢ per ounce of moist snuff, and the additional health impact fee would be 88¢ per ounce, for a total of \$1.76. A proportionate tax and fee at the like rate would apply to any fractional part of an ounce. The proposal does not include a floor stocks tax.

REVENUE ANALYSIS DETAIL

- The baseline is the February 2009 forecast for the tobacco products tax and the health impact fee on tobacco products. It is estimated that revenues from moist snuff comprise 64% of total other tobacco products revenues.
- Wholesale sales of moist snuff were derived by dividing the estimated moist snuff tax and fee revenues by the current combined tax and fee rate of 70%.
- Based on industry data, it is estimated that the average weighted wholesale price for a can of moist snuff in Minnesota was \$2.07 in fiscal year 2008, which results in an estimate of 17,500,000 cans sold. Industry data also indicates that the weighted average can size in fiscal year 2008 was 1.17 ounces.
- The estimate assumes annual volume growth under a weight based moist snuff tax of 2%.
- Fiscal year 2010 is adjusted for ten months of collections due to the August 1st effective date.

Number of Taxpayers: There are 132 distributors of other tobacco products in Minnesota.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy