

**Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary
July 8, 2014**

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on July 8, 2014. The forecasts for cigarette revenues and other tobacco products revenues were both decreased from the February 2014 conference results.

Cigarette tax and surcharge revenues were \$15.5 million under estimate for March through June 2014. There has been a steady downward trend in cigarette tax and surcharge revenues recently, with declines averaging 4% annually over the past four fiscal years. It appears that people are continuing to reduce consumption or are substituting for other products such as smoke-less tobacco and electronic cigarettes. The Conference reduced the cigarette tax estimate for Fiscal Year 2014-15 by \$9.5 million and projected stronger declines than were previously projected in each fiscal year thereafter. The changes to cigarette surcharge collections followed a similar pattern, beginning with a \$27.6 million downward adjustment in Fiscal Year 2014-15.

The Conference also decreased projections for other tobacco products tax and surcharge revenue compared to the prior forecast. These revenues grew steadily between fiscal years 2009-10 and 2012-13. However, between the two sources, revenues came in \$5.7 million below the estimate for Fiscal Year 2013-14. This is partly due to refunds related to litigation regarding the tax treatment of these products, and may also include a negative impact associated with behavioral changes related to the litigation. The Conference adopted a lower revenue projection for Fiscal Year 2014-15, anticipating additional behavioral changes by these businesses. Revenues in subsequent years are expected to grow at the rate of population growth.

The Fiscal Year 2013-14 revenues are shown net of refunds that were issued related to litigation regarding the tax treatment of other tobacco products. Refunds in the amount of \$1.48 million were granted by the department from the Cigarette Trust Fund, which includes revenues generated from cigarette taxes, cigarette surcharges, and other tobacco products surcharges. The \$1.48 million was applied proportionately to the revenue sources in the trust fund.

The table below summarizes the changes in collections and distributions since the February 2014 Forecast.

**Tobacco Tax and Surcharge Conference
Comparison of the February and July 2014 Forecasts**

COLLECTIONS							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Cigarette Tax							
February 2014	274.9	269.4	264.7	260.7	256.8	252.9	
July 2014	271.3	259.9	253.4	247.6	242.6	237.8	233.0
Difference	-3.6	-9.5	-11.3	-13.1	-14.2	-15.1	
Cigarette Surcharge							
February 2014	821.5	805.2	791.1	779.2	767.5	755.9	
July 2014	810.3	777.6	758.2	740.8	725.9	711.4	697.2
Difference	-11.2	-27.6	-32.9	-38.4	-41.6	-44.5	
OTP Tax							
February 2014	28.6	29.2	29.7	30.2	30.6	31.0	
July 2014	27.6	26.7	27.0	27.4	27.8	28.2	28.5
Difference	-1.0	-2.5	-2.7	-2.8	-2.8	-2.8	
OTP Surcharge							
February 2014	68.7	70.0	71.3	72.4	73.5	74.5	
July 2014	64.0	63.9	64.9	65.8	66.7	67.6	68.5
Difference	-4.7	-6.1	-6.4	-6.6	-6.8	-6.9	
DISTRIBUTIONS							
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Health Care Trust Func							
February 2014	819.0	805.2	793.4	783.5	773.7	764.0	
July 2014	811.6	773.5	756.6	741.4	728.6	716.1	640.8
Difference	-7.4	-31.7	-36.8	-42.1	-45.1	-47.9	
General Revenue Service Charge							
February 2014	93.2	91.5	90.1	89.0	87.8	86.6	
July 2014	91.8	88.1	86.1	84.3	82.8	81.3	79.9
Difference	-1.4	-3.4	-4.0	-4.7	-5.0	-5.3	
General Revenue Excise Tax							
February 2014	156.2	153.1	150.2	147.8	145.4	143.1	
July 2014	150.6	142.3	138.4	134.8	131.8	128.9	126.0
Difference	-5.6	-10.8	-11.8	-13.0	-13.6	-14.2	
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Difference	-1.0	-2.5	-2.7	-2.8	-2.8	-2.8	
Total GR Distributions							
February 2014	278.0	273.8	270.1	267.0	263.8	260.8	
July 2014	269.9	257.1	251.5	246.5	242.4	238.4	234.4
Difference	-8.1	-16.7	-18.6	-20.5	-21.4	-22.4	
All Other Funds							
February 2014	96.1	94.5	93.0	91.8	90.5	89.3	
July 2014	93.2	96.5	94.5	92.7	91.1	89.6	88.1
Difference	-2.9	2.0	1.5	0.9	0.6	0.3	

Note: Adjustments were made to the FY 2013-14 revenues for Cigarette Tax, Cigarette Surcharge, and OTP Surcharge to reflect the impact of \$1.48 million in refunds granted associated with a court decision in MICJO, Inc v. DBPR Division of Alcoholic Beverages and Tobacco.

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Tobacco Tax and Surcharge Conference
Cigarette Tax and Surcharge Forecast
 July 2014 (Revised August 6, 2014)

	Packs (calculated)	% Change	Cigarette Tax										Cigarette Surcharge			
			Cigarette Tax	Refunds	Net Tax	GR Service Charge	AB&T Trust Fund	County Rev Sharing	PMATF	Moffitt Center	Biomedical Research TF	General Revenue	Cigarette Surcharge*	Floor Tax	GR Service Charge	Health Care Trust Fund
2003-04	1,252.9	0.6%	418.7	3.0	415.7	30.5	3.8	11.1	113.0	11.2	0.0	248.5				
2004-05	1,314.2	4.9%	439.2	1.1	438.1	32.2	4.0	11.7	119.6	15.8	0.0	258.3				
2005-06	1,284.7	-2.2%	429.3	1.0	428.3	31.3	3.9	11.4	115.2	16.0	0.0	250.2				
2006-07	1,259.4	-2.0%	420.9	0.1	420.8	30.7	3.8	11.2	113.2	15.9	0.0	246.1				
2007-08	1,232.5	-2.1%	411.9	0.3	411.6	29.9	3.7	10.9	110.3	15.9	0.0	239.3				
2008-09	1,252.4	1.6%	418.5	0.1	418.5	30.5	3.8	11.1	112.3	10.8	0.0	250.4				
2009-10	959.7	-23.4%	300.8	0.3	300.5	23.6	2.7	8.0	80.3	5.7	0.0	180.2	856.1	97.5	76.3	872.0
2010-11	920.3	-4.1%	303.7	0.4	303.3	24.5	2.8	8.2	82.9	5.6	0.0	186.2	924.2	0.0	74.5	853.0
2011-12	860.1	-6.5%	288.1	0.2	287.9	23.1	2.6	7.6	76.8	5.8	0.0	171.8	859.5	0.0	68.8	792.3
2012-13	846.3	-1.6%	285.3	0.4	284.9	22.9	2.6	7.7	77.5	5.7	0.0	173.7	843.8	0.0	67.6	770.2
2013-14	810.7	-4.2%	271.3	0.7	270.7	21.7	2.4	7.0	70.7	10.6	2.5	150.6	810.3	0.0	64.9	752.8
2014-15																
Feb 2014	806.1	-2.00%	269.4	0.3	269.1	21.5	2.4	7.1	71.8	10.6	2.5	153.1	805.2	0.0	64.4	740.8
July 2014	777.6	-4.08%	259.9	0.3	259.6	20.8	2.3	6.9	69.3	15.6	2.4	142.3	777.6	0.0	62.2	714.8
2015-16																
Feb 2014	792.0	-1.75%	264.7	0.3	264.4	21.2	2.4	7.0	70.6	10.6	2.4	150.2	791.1	0.0	63.3	727.8
July 2014	758.2	-2.50%	253.4	0.3	253.1	20.2	2.3	6.7	67.6	15.6	2.3	138.4	758.2	0.0	60.7	696.9
2016-17																
Feb 2014	780.1	-1.50%	260.7	0.3	260.4	20.8	2.3	6.9	69.5	10.6	2.4	147.8	779.2	0.0	62.3	716.9
July 2014	740.8	-2.30%	247.6	0.3	247.3	19.8	2.2	6.5	66.0	15.6	2.3	134.8	740.8	0.0	59.3	680.9
2017-18																
Feb 2014	768.4	-1.50%	256.8	0.3	256.5	20.5	2.3	6.8	68.5	10.6	2.3	145.4	767.5	0.0	61.4	706.1
July 2014	725.9	-2.00%	242.6	0.3	242.3	19.4	2.2	6.4	64.7	15.6	2.2	131.8	725.9	0.0	58.1	667.2
2018-19																
Feb 2014	756.8	-1.50%	252.9	0.3	252.6	20.2	2.3	6.7	67.4	10.6	2.3	143.1	755.9	0.0	60.5	695.5
July 2014	711.4	-2.00%	237.8	0.3	237.5	19.0	2.1	6.3	63.4	15.6	2.2	128.9	711.4	0.0	56.9	653.9
2019-20																
July 2014	697.2	-2.00%	233.0	0.3	232.7	18.6	2.1	6.1	62.1	15.6	2.1	126.0	697.2	0.0	55.8	640.8

*Cigarette Surcharge Revenue for FY2013-14 was revised to reflect final FLAIR activity.

Tobacco Tax and Surcharge Conference
Other Tobacco Products Tax and Surcharge Forecast
 July 2014

			Other Tobacco Products Tax to GR	Other Tobacco Products Surcharge			
	Total Revenue	% change		Surcharge	Floor Tax	GR Service Charge	Health Care Trust Fund
2003-04	27.7		27.7				
2004-05	29.0	4.7%	29.0				
2005-06	27.5	-5.2%	27.5				
2006-07	33.1	20.4%	33.1				
2007-08	32.7	-1.2%	32.7				
2008-09	28.5	-12.7%	28.5				
2009-10	81.4	185.2%	25.6	55.8	7.3	5.1	57.7
2010-11	91.0	11.7%	27.3	63.7	0	5.1	58.8
2011-12	93.5	2.8%	28.0	65.6	0	5.3	60.3
2012-13	98.5	5.3%	28.4	70.1	0	5.6	64.5
2013-14	91.5	-7.1%	27.6	64.0	0	5.1	58.8
2014-15							
Feb 2014	99.2	2.0%	29.2	70.0	0	5.6	64.4
July 2014	90.6	-1.0%	26.7	63.9	0	5.1	58.8
2015-16							
Feb 2014	101.0	1.8%	29.7	71.3	0	5.7	65.6
July 2014	91.9	1.4%	27.0	64.9	0	5.2	59.7
2016-17							
Feb 2014	102.6	1.6%	30.2	72.4	0	5.8	66.6
July 2014	93.2	1.4%	27.4	65.8	0	5.3	60.5
2017-18							
Feb 2014	104.1	1.4%	30.6	73.5	0	5.9	67.6
July 2014	94.5	1.4%	27.8	66.7	0	5.3	61.4
2018-19							
Feb 2014	105.5	1.4%	31.0	74.5	0	6.0	68.5
July 2014	95.8	1.4%	28.2	67.6	0	5.4	62.2
2019-20							
July 2014	97.0	1.3%	28.5	68.5	0	5.5	63.0