

**Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary
October 29, 2013**

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on October 29, 2013. The forecast for cigarette revenues was decreased and the forecast for other tobacco products revenues was increased from the July 2013 conference results.

Cigarette tax and surcharge revenues were nearly \$2.5 million under estimate for August and September 2013. There has been a steady downward trend in cigarette tax and surcharge revenues over the past eight fiscal years as people have continued to reduce consumption or have substituted to other products such as smoke-less tobacco and electronic cigarettes. The conference reduced the revenue estimate for Fiscal Year 2013-14 by nearly \$12 million and projected stronger declines than were previously projected in each fiscal year thereafter.

The other tobacco products tax and surcharge revenue projections have been increased since the July conference. These revenues have seen strong growth over the past several fiscal years. However, at the July conference, revenue projections were held flat at Fiscal Year 2012-13 levels throughout the forecast period due to uncertainty related to litigation regarding the tax treatment of these products. The Department of Business and Professional Regulation (DBPR) began issuing refunds from the tax and surcharge collected on other tobacco products beginning in July 2013 as a result of this litigation. At this time, it is expected that the recurring impact of the litigation will be approximately \$2.2 million per fiscal year. Because of this, the October forecast projects that Fiscal Year 2013-14 revenues will be essentially the same as Fiscal Year 2012-13 revenues. Growth in revenues for fiscal years 2014-15 through 2018-19 are expected to be more consistent with historical trends and the increases that were projected before the litigation occurred.

The table below summarizes the changes in collections and distributions since the July 2013 Forecast.

Tobacco Tax and Surcharge Conference
Comparison of the July 2013 and October 2013 Forecasts

COLLECTIONS							
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Cigarette Tax							
July 2013	285.3	279.0	277.0	275.7	274.3	272.9	
October 2013	285.3	276.0	271.2	267.1	263.1	259.2	255.3
Difference	0.0	-3.0	-5.8	-8.6	-11.2	-13.7	
Cigarette Surcharge							
July 2013	843.8	834.8	829.0	824.8	820.7	816.6	
October 2013	843.8	826.2	811.5	799.3	787.3	775.5	763.8
Difference	0.0	-8.6	-17.5	-25.5	-33.4	-41.1	
OTP Tax							
July 2013	28.4	28.1	28.1	28.1	28.1	28.1	
October 2013	28.4	28.9	29.7	30.2	30.7	31.0	31.3
Difference	0.0	0.8	1.6	2.1	2.6	2.9	
OTP Surcharge							
July 2013	70.1	67.5	67.5	67.5	67.5	67.5	
October 2013	70.1	69.5	71.2	72.6	73.7	74.4	75.2
Difference	0.0	2.0	3.7	5.1	6.2	6.9	

DISTRIBUTIONS							
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Health Care Trust Fund							
July 2013	834.7	830.1	824.7	820.9	817.1	813.3	
October 2013	834.7	824.0	812.1	802.2	792.1	781.9	771.9
Difference	0.0	-6.1	-12.6	-18.7	-25.0	-31.4	
General Revenue Service Charge							
July 2013	95.8	94.5	93.9	93.4	93.0	92.6	
October 2013	95.8	93.7	92.3	91.1	89.9	88.7	87.5
Difference	0.0	-0.8	-1.6	-2.3	-3.1	-3.9	
General Revenue Excise Tax							
July 2013	173.7	159.1	157.9	157.1	156.3	155.4	
October 2013	173.7	157.3	154.4	151.9	149.5	147.1	144.7
Difference	0.0	-1.8	-3.5	-5.2	-6.8	-8.3	
OTP General Revenue Tax							
July 2013	28.4	28.1	28.1	28.1	28.1	28.1	
October 2013	28.4	28.9	29.7	30.2	30.7	31.0	31.3
Difference	0.0	0.8	1.6	2.1	2.6	2.9	
Total GR Distributions							
July 2013	297.9	281.7	279.9	278.6	277.4	276.1	
October 2013	297.9	280.0	276.4	273.2	270.1	266.8	263.5
Difference	0.0	-1.7	-3.5	-5.4	-7.3	-9.3	
All Other Funds							
July 2013	93.5	97.5	96.9	96.5	96.1	95.6	
October 2013	93.5	96.6	95.1	93.8	92.6	91.4	90.2
Difference	0.0	-0.9	-1.8	-2.7	-3.5	-4.2	

Tobacco Tax and Surcharge Conference
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DISTRIBUTIONS							
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
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Difference	0.0	-6.1	-12.6	-18.7	-25.0	-31.4	
General Revenue Service Charge							
July 2013	95.8	94.5	93.9	93.4	93.0	92.6	
October 2013	95.8	93.7	92.3	91.1	89.9	88.7	87.5
Difference	0.0	-0.8	-1.6	-2.3	-3.1	-3.9	
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July 2013	173.7	159.1	157.9	157.1	156.3	155.4	
October 2013	173.7	157.3	154.4	151.9	149.5	147.1	144.7
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Difference	0.0	-1.7	-3.5	-5.4	-7.3	-9.3	
All Other Funds							
July 2013	93.5	97.5	96.9	96.5	96.1	95.6	
October 2013	93.5	96.6	95.1	93.8	92.6	91.4	90.2
Difference	0.0	-0.9	-1.8	-2.7	-3.5	-4.2	

**Tobacco Tax and Surcharge Conference
Cigarette Tax and Surcharge Forecast
October 2013**

	Packs (calculated)	%	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	23.0	2.6	7.6	76.8	5.8	0.0	171.8	859.5	0.0	68.7	792.3
2012-13	846.3	-1.6%	285.3	0.4	284.9	22.8	2.6	7.7	77.5	5.7	0.0	173.7	843.8	0.0	67.4	770.2
2013-14																
July 2013	835.4	-1.28%	279.2	0.2	279.0	22.3	2.5	7.4	74.5	10.6	2.5	159.1	834.8	0.0	66.8	768.0
Oct 2013	826.9	-2.30%	276.3	0.3	276.0	22.1	2.5	7.3	73.7	10.6	2.5	157.3	826.2	0.0	66.1	760.1
2014-15																
July 2013	829.6	-0.70%	277.2	0.2	277.0	22.2	2.5	7.3	73.9	10.6	2.5	157.9	829.0	0.0	66.3	762.7
Oct 2013	812.4	-1.75%	271.5	0.3	271.2	21.7	2.4	7.2	72.4	10.6	2.5	154.4	811.5	0.0	64.9	746.6
2015-16																
July 2013	825.4	-0.50%	275.9	0.2	275.7	22.1	2.5	7.3	73.6	10.6	2.5	157.1	824.8	0.0	66.0	758.8
Oct 2013	800.2	-1.50%	267.4	0.3	267.1	21.4	2.4	7.1	71.3	10.6	2.4	151.9	799.3	0.0	63.9	735.4
2016-17																
July 2013	821.3	-0.50%	274.5	0.2	274.3	21.9	2.5	7.2	73.2	10.6	2.5	156.3	820.7	0.0	65.7	755.0
Oct 2013	788.2	-1.50%	263.4	0.3	263.1	21.0	2.4	7.0	70.2	10.6	2.4	149.5	787.3	0.0	63.0	724.3
2017-18																
July 2013	817.2	-0.60%	273.1	0.2	272.9	21.8	2.5	7.2	72.8	10.6	2.5	155.4	816.6	0.0	65.3	751.3
Oct 2013	776.4	-1.50%	259.5	0.3	259.2	20.7	2.3	6.8	69.2	10.6	2.4	147.1	775.5	0.0	62.0	713.5
2018-19																
July 2013																
Oct 2013	764.7	-1.50%	255.6	0.3	255.3	20.4	2.3	6.7	68.1	10.6	2.3	144.7	763.8	0.0	61.1	702.7

Tobacco Tax and Surcharge Conference
Other Tobacco Products Tax and Surcharge Forecast
 October 2013

	Total Revenue	% change	Other Tobacco Products Tax to GR	Other Tobacco Products Surcharge			
				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	5.2	60.4
2012-13	98.5	5.3%	28.4	70.1	0	5.6	64.5
2013-14							
July 2013	95.6	-3.0%	28.1	67.5	0	5.4	62.1
Oct 2013	98.4	-0.1%	28.9	69.5	0	5.6	63.9
2014-15							
July 2013	95.6	0.0%	28.1	67.5	0	5.4	62.1
Oct 2013	100.9	2.5%	29.7	71.2	0	5.7	65.5
2015-16							
July 2013	95.6	0.0%	28.1	67.5	0	5.4	62.1
Oct 2013	102.8	1.9%	30.2	72.6	0	5.8	66.8
2016-17							
July 2013	95.6	0.0%	28.1	67.5	0	5.4	62.1
Oct 2013	104.4	1.6%	30.7	73.7	0	5.9	67.8
2017-18							
July 2013	95.6	0.0%	28.1	67.5	0	5.4	62.1
Oct 2013	105.4	1.0%	31.0	74.4	0	6.0	68.4
2018-19							
July 2013							
Oct 2013	106.5	1.0%	31.3	75.2	0	6.0	69.2

Monthly Tobacco Revenues 2013-14 Compared to July 2013 Estimate

Cigarettes	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
Excise Tax													
Actual	21.6	22.4	23.9										67.9
Estimate	21.6	23.4	23.4	23.2	20.2	27.2	29.3	16.9	20.7	24.7	24.4	24.2	279.2
Difference	0.0	-1.0	0.5										-0.5
Surcharge													
Actual	64.5	66.5	71.4										202.5
Estimate	64.5	69.9	69.9	69.3	60.3	81.5	87.6	50.5	61.8	73.8	72.9	72.8	834.8
Difference	0.0	-3.4	1.5										-1.9
Total													
Actual	86.2	88.9	95.3										270.4
Estimate	86.2	93.3	93.3	92.5	80.5	108.7	116.9	67.4	82.5	98.5	97.3	96.9	1,114.0
Difference	0.0	-4.4	2.0										-2.4

Other Tobacco Products	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
Wholesale Tax													
Actual	2.1	2.8	2.0										6.9
Estimate	2.1	2.3	2.4	2.1	2.3	2.5	2.2	2.5	2.7	1.9	2.5	2.6	28.1
Difference	0.0	0.5	-0.4										0.1
Surcharge													
Actual	8.5	6.9	5.4										20.8
Estimate	8.5	5.1	5.4	4.8	5.2	5.6	5.0	5.6	6.1	4.4	5.6	6.2	67.5
Difference	0.0	1.8	0.0										1.8
Total													
Actual	10.6	9.7	7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7
Estimate	10.6	7.4	7.8	6.9	7.5	8.1	7.2	8.1	8.8	6.3	8.1	8.8	95.6
Difference	0.0	2.3	-0.3										2.0