

**Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary**

February 12, 2014

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on February 12, 2014. The forecasts for cigarette revenues and other tobacco products revenues were both decreased from the October 2013 conference results.

Cigarette tax and surcharge revenues were \$4.0 million under estimate for December 2013 and January 2014. 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 \$6 million and projected stronger declines than were previously projected in each fiscal year thereafter.

The Fiscal Year 2013-14 estimates also reflect a negative impact from refunds that have been issued as a result of litigation regarding the tax treatment of other tobacco products. Refunds in the amount of \$1.48 million have been issued 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 resulting impact will only affect Fiscal Year 2013-14 cigarette revenues, in the amount of about \$352,000 from taxes and \$1.04 million from surcharges. In addition, other tobacco product surcharges were adjusted to reflect a negative impact of about \$87,000.

The Conference also decreased projections for other tobacco products tax and surcharge revenue compared to the prior forecast. These revenues have seen strong growth over the past several fiscal years. However, the new revenue projections include a recurring negative impact related to the litigation on these products described above. Currently, the recurring impact is estimated to be \$2.14 million, but it could be larger. Otherwise, growth in revenues for fiscal years 2014-15 through 2018-19 is expected to be more consistent with historical trends and the increases that were projected before the litigation occurred.

The table on the next page summarizes the changes in collections and distributions relative to the October 2013 Forecast.

Tobacco Tax and Surcharge Conference
Comparison of the October 2013 and February 2014 Forecasts

COLLECTIONS							
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Cigarette Tax							
October 2013	285.3	276.3	271.5	267.4	263.4	259.5	255.6
February 2014	285.3	274.9	269.4	264.7	260.7	256.8	252.9
Difference	0.0	-1.4	-2.1	-2.7	-2.7	-2.7	-2.7
Cigarette Surcharge							
October 2013	843.8	826.0	811.5	799.3	787.3	775.5	763.8
February 2014	843.8	821.5	805.2	791.1	779.2	767.5	755.9
Difference	0.0	-4.4	-6.3	-8.2	-8.1	-8.0	-7.9
OTP Tax							
October 2013	28.4	28.9	29.7	30.2	30.7	31.0	31.3
February 2014	28.4	28.6	29.2	29.7	30.2	30.6	31.0
Difference	0.0	-0.3	-0.5	-0.5	-0.5	-0.4	-0.3
OTP Surcharge							
October 2013	70.1	69.5	71.2	72.6	73.7	74.4	75.2
February 2014	70.1	68.7	70.0	71.3	72.4	73.5	74.5
Difference	0.0	-0.8	-1.2	-1.3	-1.3	-0.9	-0.7
DISTRIBUTIONS							
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Health Care Trust Fund							
October 2013	834.7	823.8	812.1	802.2	792.1	781.9	771.9
February 2014	834.7	819.0	805.2	793.4	783.5	773.7	764.0
Difference	0.0	-4.8	-6.9	-8.8	-8.6	-8.2	-7.9
General Revenue Service Charge							
October 2013	95.8	93.7	92.3	91.1	89.9	88.7	87.5
February 2014	95.8	93.2	91.5	90.1	89.0	87.8	86.6
Difference	0.0	-0.5	-0.8	-1.0	-0.9	-0.9	-0.9
General Revenue Excise Tax							
October 2013	173.7	157.3	154.4	151.9	149.5	147.1	144.7
February 2014	173.7	156.2	153.1	150.2	147.8	145.4	143.1
Difference	0.0	-1.1	-1.3	-1.7	-1.7	-1.7	-1.6
OTP General Revenue Tax							
October 2013	28.4	28.9	29.7	30.2	30.7	31.0	31.3
February 2014	28.4	28.6	29.2	29.7	30.2	30.6	31.0
Difference	0.0	-0.3	-0.5	-0.5	-0.5	-0.4	-0.3
Total GR Distributions							
October 2013	297.9	280.0	276.4	273.2	270.1	266.8	263.5
February 2014	297.9	278.0	273.8	270.1	267.0	263.8	260.8
Difference	0.0	-2.0	-2.6	-3.1	-3.1	-3.0	-2.7
All Other Funds							
October 2013	93.5	96.6	95.1	93.8	92.6	91.4	90.2
February 2014	93.5	96.1	94.5	93.0	91.8	90.5	89.3
Difference	0.0	-0.5	-0.6	-0.8	-0.8	-0.9	-0.9

Note: Adjustments were made to the FY 2013-14 estimates for Cigarette Tax, Cigarette Surcharge, and OTP Surcharge revenues 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.

**Tobacco Tax and Surcharge Conference
Comparison of the October 2013 and February 2014 Forecasts**

COLLECTIONS							
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
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**Tobacco Tax and Surcharge Conference
Cigarette Tax and Surcharge Forecast
February 2014**

	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																
Oct 2013	826.9	-2.29%	276.3	0.3	276.0	22.1	2.5	7.3	73.7	10.6	2.5	157.3	826.0	0.0	66.1	759.9
Feb 2014	822.6	-2.80%	274.9	0.7	274.3	21.9	2.5	7.2	73.2	10.6	2.5	156.2	821.5	0.0	65.7	755.8
2014-15																
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
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
2015-16																
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
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
2016-17																
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
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
2017-18																
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
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
2018-19																
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
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

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

	Total Revenue		Other Tobacco Products Tax to GR	Other Tobacco Products Surcharge			
	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	5.2	60.4
2012-13	98.5	5.3%	28.4	70.1	0	5.6	64.5
2013-14							
Oct 2013	98.4	-0.1%	28.9	69.5	0	5.6	63.9
Feb 2014	97.3	-1.3%	28.6	68.7	0	5.5	63.2
2014-15							
Oct 2013	100.9	2.5%	29.7	71.2	0	5.7	65.5
Feb 2014	99.2	2.0%	29.2	70.0	0	5.6	64.4
2015-16							
Oct 2013	102.8	1.9%	30.2	72.6	0	5.8	66.8
Feb 2014	101.0	1.8%	29.7	71.3	0	5.7	65.6
2016-17							
Oct 2013	104.4	1.6%	30.7	73.7	0	5.9	67.8
Feb 2014	102.6	1.6%	30.2	72.4	0	5.8	66.6
2017-18							
Oct 2013	105.4	1.0%	31.0	74.4	0	6.0	68.4
Feb 2014	104.1	1.4%	30.6	73.5	0	5.9	67.6
2018-19							
Oct 2013	106.5	1.0%	31.3	75.2	0	6.0	69.2
Feb 2014	105.5	1.4%	31.0	74.5	0	6.0	68.5

Monthly Tobacco Revenues 2013-14 Compared to October 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	21.8	22.5	24.3	30.6						167.1
Estimate	21.6	22.4	23.9	21.8	22.5	26.7	28.7	16.6	20.3	24.2	23.9	23.8	276.3
Difference	0.0	0.0	0.0	0.0	0.0	-2.4	1.9						-0.5
Surcharge													
Actual	64.5	66.5	71.4	68.7	66.7	71.6	90.5						500.0
Estimate	64.5	66.5	71.4	68.7	66.7	79.8	85.8	49.5	60.5	72.3	71.4	69.0	826.2
Difference	0.0	0.0	0.0	0.0	0.0	-8.2	4.7						-3.5
Total													
Actual	86.2	88.9	95.3	90.5	89.2	95.9	121.1						667.1
Estimate	86.2	88.9	95.3	90.5	89.2	106.5	114.5	66.1	80.8	96.5	95.3	92.7	1,102.5
Difference	0.0	0.0	0.0	0.0	0.0	-10.6	6.6						-4.0

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	2.2	2.1	2.0	2.6						15.8
Estimate	2.1	2.8	2.0	2.2	2.1	2.6	2.3	2.6	2.8	2.0	2.6	2.8	28.9
Difference	0.0	0.0	0.0	0.0	0.0	-0.6	0.3						-0.3
Surcharge													
Actual	8.5	6.9	5.4	0.5	5.0	4.5	7.2						38.0
Estimate	8.5	6.9	5.4	0.5	5.0	6.3	5.6	6.3	6.8	5.0	6.3	6.9	69.5
Difference	0.0	0.0	0.0	0.0	0.0	-1.8	1.6						-0.2
Total													
Actual	10.6	9.7	7.5	2.7	7.1	6.5	9.7						53.8
Estimate	10.6	9.7	7.5	2.7	7.1	8.9	7.9	8.9	9.6	7.0	8.9	9.6	98.4
Difference	0.0	0.0	0.0	0.0	0.0	-2.4	1.8						-0.5