

**Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary
August 10, 2017**

The Revenue Estimating Conference reviewed Tobacco Tax and Surcharge revenues on August 10, 2017. The Conference increased the forecast for cigarette tax and surcharge relative to the estimates adopted in February 2017. Prior to adjusting for refunds, the underlying forecast for other tobacco products and surcharge was also adjusted upward; however, the inclusion of anticipated refunds changed the net results.

Combined, cigarette tax and surcharge revenues were \$10.7 million over estimate for FY 2016-17. Based on this performance, the revenue forecast was increased from the prior estimate. The Conference believes that the overall downward trend in cigarette consumption over the past ten years is likely to continue in the out-years, but has moderated somewhat in the short run.

Combined, other tobacco products tax and surcharge revenues were approximately \$0.6 million over estimate for FY 2016-17. The Conference increased the expected growth rates in FY 2017-18 and FY 2018-19, but did not change the longer term growth rates from the February Conference for FY 2019-20 through FY 2021-22. Despite the upward adjustment to the tax base, the net revenue forecast was lower than the prior forecast. As a result of litigation regarding the calculation of wholesale sales price before July 1, 2016, an atypically large volume of refund payments is anticipated that has not been previously addressed in the forecast. The Department of Business and Professional Regulation projects that the maximum amount that could be refunded is currently \$139.6 million. Of this amount, \$44.8 million in refunds have been requested that may or may not be approved pending submission of additional documentation. Based on experience with other tax sources, the Conference estimated that approximately 70 percent of the \$44.8 million will be refunded. Of the remaining \$94.8 million, the Conference estimated that 50 percent will be refunded. This brings the total amount of likely refund activity within the forecast period to \$76 million. The Conference distributed this amount across a 4-year period, with a refund schedule of 35 percent in FY 2017-18, 25 percent in FY 2018-19, 20 percent in FY 2019-20, and 20 percent in FY 2020-21. These refunds were then deducted from the revenues otherwise projected for other tobacco products, resulting in lower revenue estimates.

The following table summarizes the changes in collections and distributions since the last forecast, including the addition of FY 2022-23 and the incorporation of anticipated refunds.

Tobacco Tax and Surcharge Conference
Comparison of the February 2017 and August 2017 Forecasts

| COLLECTIONS | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Cigarette Tax | | | | | | | |
| February 2017 | 271.8 | 267.9 | 264.2 | 260.3 | 256.4 | 252.5 | |
| August 2017 | 276.0 | 271.7 | 268.3 | 264.3 | 260.3 | 256.4 | 252.6 |
| Difference | 4.2 | 3.8 | 4.1 | 4.0 | 3.9 | 3.9 | |
| Cigarette Surcharge | | | | | | | |
| February 2017 | 813.3 | 801.7 | 790.7 | 778.8 | 767.1 | 755.6 | |
| August 2017 | 819.8 | 813.0 | 802.9 | 790.8 | 778.9 | 767.2 | 755.7 |
| Difference | 6.5 | 11.3 | 12.2 | 12.0 | 11.8 | 11.6 | |
| OTP Tax | | | | | | | |
| February 2017 | 31.3 | 33.8 | 34.5 | 35.1 | 35.8 | 36.6 | |
| August 2017 | 31.1 | 26.7 | 29.9 | 31.7 | 32.5 | 37.8 | 38.6 |
| Difference | -0.2 | -7.1 | -4.6 | -3.4 | -3.3 | 1.2 | |
| OTP Surcharge | | | | | | | |
| February 2017 | 75.3 | 81.1 | 82.7 | 84.4 | 86.0 | 87.8 | |
| August 2017 | 76.1 | 64.6 | 72.1 | 76.5 | 78.2 | 90.7 | 92.5 |
| Difference | 0.8 | -16.5 | -10.6 | -7.9 | -7.8 | 2.9 | |

| DISTRIBUTIONS | | | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Health Care Trust Fund | | | | | | | |
| February 2017 | 817.1 | 812.2 | 803.5 | 794.1 | 784.8 | 776.0 | |
| August 2017 | 823.2 | 805.9 | 804.0 | 797.0 | 787.7 | 789.2 | 780.3 |
| Difference | 6.1 | -6.3 | 0.5 | 2.9 | 2.9 | 13.2 | |
| General Revenue Service Charge | | | | | | | |
| February 2017 | 93.2 | 92.1 | 91.0 | 89.9 | 88.8 | 87.8 | |
| August 2017 | 95.4 | 93.4 | 92.5 | 91.4 | 90.2 | 89.2 | 88.1 |
| Difference | 2.2 | 1.3 | 1.5 | 1.5 | 1.4 | 1.4 | |
| General Revenue Excise Tax | | | | | | | |
| February 2017 | 149.8 | 147.4 | 145.2 | 142.7 | 140.4 | 138.0 | |
| August 2017 | 152.0 | 149.8 | 147.7 | 145.2 | 142.8 | 140.5 | 138.1 |
| Difference | 2.2 | 2.4 | 2.5 | 2.5 | 2.4 | 2.5 | |
| OTP General Revenue Tax | | | | | | | |
| February 2017 | 31.3 | 33.8 | 34.5 | 35.1 | 35.8 | 36.6 | |
| August 2017 | 31.1 | 26.7 | 29.9 | 31.7 | 32.5 | 37.8 | 38.6 |
| Difference | -0.2 | -7.1 | -4.6 | -3.4 | -3.3 | 1.2 | |
| Total GR Distributions | | | | | | | |
| February 2017 | 274.2 | 273.2 | 270.6 | 267.8 | 265.1 | 262.3 | |
| August 2017 | 278.5 | 269.9 | 270.1 | 268.3 | 265.5 | 267.5 | 264.8 |
| Difference | 4.3 | -3.3 | -0.5 | 0.5 | 0.4 | 5.2 | |
| All Other Funds | | | | | | | |
| February 2017 | 100.3 | 99.1 | 97.9 | 96.7 | 95.5 | 94.3 | |
| August 2017 | 101.3 | 100.2 | 99.1 | 98.0 | 96.7 | 95.4 | 94.3 |
| Difference | 1.0 | 1.1 | 1.2 | 1.3 | 1.2 | 1.1 | |

Note: FY 2016-17 General Revenue Service Charge is the residual after all other distributions are reconciled.

Tobacco Tax and Surcharge Conference
Comparison of the February 2017 and August 2017 Forecasts

| COLLECTIONS | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Cigarette Tax | | | | | | | |
| February 2017 | 271.8 | 267.9 | 264.2 | 260.3 | 256.4 | 252.5 | |
| August 2017 | 276.0 | 271.7 | 268.3 | 264.3 | 260.3 | 256.4 | 252.6 |
| Difference | 4.2 | 3.8 | 4.1 | 4.0 | 3.9 | 3.9 | |
| Cigarette Surcharge | | | | | | | |
| February 2017 | 813.3 | 801.7 | 790.7 | 778.8 | 767.1 | 755.6 | |
| August 2017 | 819.8 | 813.0 | 802.9 | 790.8 | 778.9 | 767.2 | 755.7 |
| Difference | 6.5 | 11.3 | 12.2 | 12.0 | 11.8 | 11.6 | |
| OTP Tax | | | | | | | |
| February 2017 | 31.3 | 33.8 | 34.5 | 35.1 | 35.8 | 36.6 | |
| August 2017 | 31.1 | 26.7 | 29.9 | 31.7 | 32.5 | 37.8 | 38.6 |
| Difference | -0.2 | -7.1 | -4.6 | -3.4 | -3.3 | 1.2 | |
| OTP Surcharge | | | | | | | |
| February 2017 | 75.3 | 81.1 | 82.7 | 84.4 | 86.0 | 87.8 | |
| August 2017 | 76.1 | 64.6 | 72.1 | 76.5 | 78.2 | 90.7 | 92.5 |
| Difference | 0.8 | -16.5 | -10.6 | -7.9 | -7.8 | 2.9 | |

| DISTRIBUTIONS | | | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Health Care Trust Fund | | | | | | | |
| February 2017 | 817.1 | 812.2 | 803.5 | 794.1 | 784.8 | 776.0 | |
| August 2017 | 823.2 | 805.9 | 804.0 | 797.0 | 787.7 | 789.2 | 780.3 |
| Difference | 6.1 | -6.3 | 0.5 | 2.9 | 2.9 | 13.2 | |
| General Revenue Service Charge | | | | | | | |
| February 2017 | 93.2 | 92.1 | 91.0 | 89.9 | 88.8 | 87.8 | |
| August 2017 | 95.4 | 93.4 | 92.5 | 91.4 | 90.2 | 89.2 | 88.1 |
| Difference | 2.2 | 1.3 | 1.5 | 1.5 | 1.4 | 1.4 | |
| General Revenue Excise Tax | | | | | | | |
| February 2017 | 149.8 | 147.4 | 145.2 | 142.7 | 140.4 | 138.0 | |
| August 2017 | 152.0 | 149.8 | 147.7 | 145.2 | 142.8 | 140.5 | 138.1 |
| Difference | 2.2 | 2.4 | 2.5 | 2.5 | 2.4 | 2.5 | |
| OTP General Revenue Tax | | | | | | | |
| February 2017 | 31.3 | 33.8 | 34.5 | 35.1 | 35.8 | 36.6 | |
| August 2017 | 31.1 | 26.7 | 29.9 | 31.7 | 32.5 | 37.8 | 38.6 |
| Difference | -0.2 | -7.1 | -4.6 | -3.4 | -3.3 | 1.2 | |
| Total GR Distributions | | | | | | | |
| February 2017 | 274.2 | 273.2 | 270.6 | 267.8 | 265.1 | 262.3 | |
| August 2017 | 278.5 | 269.9 | 270.1 | 268.3 | 265.5 | 267.5 | 264.8 |
| Difference | 4.3 | -3.3 | -0.5 | 0.5 | 0.4 | 5.2 | |
| All Other Funds | | | | | | | |
| February 2017 | 100.3 | 99.1 | 97.9 | 96.7 | 95.5 | 94.3 | |
| August 2017 | 101.3 | 100.2 | 99.1 | 98.0 | 96.7 | 95.4 | 94.3 |
| Difference | 1.0 | 1.1 | 1.2 | 1.3 | 1.2 | 1.1 | |

Note: FY 2016-17 General Revenue Service Charge is the residual after all other distributions are reconciled.

**Tobacco Tax and Surcharge Conference
Cigarette Tax and Surcharge Forecast
August 2017**

| | | | Cigarette Tax | | | | | | | | | | Cigarette Surcharge | | | | | |
|----------------|-----------------------|-------------|------------------|---------|------------|----------------------|--------------------|-----------------------|-------|-------------------|----------------------------|--------------------|------------------------|-----------|----------------------|---------------------------|-------------------|----------------------|
| | Packs (calculated) | % Change | 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 | Total Revenues | Percentage Change |
| 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 | 1156.6 | |
| 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 | 1227.5 | 6.1% |
| 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 | 1147.4 | -6.5% |
| 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 | 67.5 | 770.2 | 1128.7 | -1.6% |
| 2013-14 | 810.7 | -4.2% | 271.3 | 0.6 | 270.7 | 21.7 | 2.4 | 7.0 | 70.7 | 10.6 | 2.5 | 150.6 | 810.3 | 0.0 | 64.8 | 751.7 | 1081.0 | -4.2% |
| 2014-15 | 817.2 | 0.8% | 274.2 | 0.1 | 274.2 | 21.9 | 2.5 | 7.2 | 73.2 | 15.5 | 2.5 | 151.3 | 816.1 | 0.0 | 65.3 | 750.4 | 1090.3 | 0.9% |
| 2015-16 | 828.1 | 1.3% | 280.5 | 0.1 | 280.3 | 22.4 | 2.5 | 7.4 | 74.8 | 15.5 | 2.6 | 155.0 | 824.4 | 0.0 | 66.0 | 758.1 | 1104.8 | 1.3% |
| 2016-17 | 821.3 | -0.8% | 276.0 | 0.0 | 276.0 | 22.7 | 2.5 | 7.3 | 73.5 | 15.5 | 2.5 | 152.0 | 819.8 | 0.0 | 65.9 | 753.9 | 1095.8 | -0.8% |
| 2017-18 | | | | | | | | | | | | | | | | | | |
| February 2017 | 802.6 | -2.28% | 268.2 | 0.3 | 267.9 | 21.4 | 2.4 | 7.1 | 71.5 | 15.6 | 2.4 | 147.4 | 801.7 | 0.0 | 64.1 | 737.6 | 1069.6 | -2.4% |
| August 2017 | 813.9 | -0.90% | 272.0 | 0.3 | 271.7 | 21.7 | 2.4 | 7.2 | 72.5 | 15.6 | 2.5 | 149.8 | 813.0 | 0.0 | 65.0 | 748.0 | 1084.7 | -1.0% |
| 2018-19 | | | | | | | | | | | | | | | | | | |
| February 2017 | 791.6 | -1.37% | 264.5 | 0.3 | 264.2 | 21.1 | 2.4 | 7.0 | 70.5 | 15.6 | 2.4 | 145.2 | 790.7 | 0.0 | 63.3 | 727.4 | 1054.9 | -1.4% |
| August 2017 | 803.8 | -1.25% | 268.6 | 0.3 | 268.3 | 21.5 | 2.4 | 7.1 | 71.6 | 15.6 | 2.4 | 147.7 | 802.9 | 0.0 | 64.2 | 738.7 | 1071.2 | -1.2% |
| 2019-20 | | | | | | | | | | | | | | | | | | |
| February 2017 | 779.7 | -1.50% | 260.6 | 0.3 | 260.3 | 20.8 | 2.3 | 6.9 | 69.5 | 15.6 | 2.4 | 142.8 | 778.8 | 0.0 | 62.3 | 716.5 | 1039.1 | -1.5% |
| August 2017 | 791.7 | -1.50% | 264.6 | 0.3 | 264.3 | 21.1 | 2.4 | 7.0 | 70.6 | 15.6 | 2.4 | 145.2 | 790.8 | 0.0 | 63.3 | 727.5 | 1055.1 | -1.5% |
| 2020-21 | | | | | | | | | | | | | | | | | | |
| February 2017 | 768.0 | -1.50% | 256.7 | 0.3 | 256.4 | 20.5 | 2.3 | 6.8 | 68.4 | 15.6 | 2.3 | 140.5 | 767.1 | 0.0 | 61.4 | 705.7 | 1023.5 | -1.5% |
| August 2017 | 779.8 | -1.50% | 260.6 | 0.3 | 260.3 | 20.8 | 2.3 | 6.9 | 69.5 | 15.6 | 2.4 | 142.8 | 778.9 | 0.0 | 62.3 | 716.6 | 1039.2 | -1.5% |
| 2021-22 | | | | | | | | | | | | | | | | | | |
| February 2017 | 756.5 | -1.50% | 252.8 | 0.3 | 252.5 | 20.2 | 2.3 | 6.7 | 67.4 | 15.6 | 2.3 | 138.0 | 755.6 | 0.0 | 60.4 | 695.2 | 1008.1 | -1.5% |
| August 2017 | 768.1 | -1.50% | 256.7 | 0.3 | 256.4 | 20.5 | 2.3 | 6.8 | 68.4 | 15.6 | 2.3 | 140.5 | 767.2 | 0.0 | 61.4 | 705.8 | 1023.6 | -1.5% |
| 2022-23 | | | | | | | | | | | | | | | | | | |
| August 2017 | 756.6 | -1.50% | 252.9 | 0.3 | 252.6 | 20.2 | 2.3 | 6.7 | 67.4 | 15.6 | 2.3 | 138.1 | 755.7 | 0.0 | 60.5 | 695.2 | 1008.3 | -1.5% |

Pursuant to s. 210.20(2)c, F.S., the funds distributed to the Biomedical Research Trust Fund benefit cancer centers participating in the Florida Consortium of National Cancer Institute Centers Program for the advancement of cures for cancers afflicting pediatric populations through basic or applied research.

Tobacco Tax and Surcharge Conference
Other Tobacco Products Tax and Surcharge Forecast
August 2017

| | Tax Base | | Total | | Other Tobacco | | Net Other | | Other Tobacco Products Surcharge | | | | | | |
|----------------|--------------|----------|---------|----------|--------------------|----------|---------------------------------|-----------|----------------------------------|-------------------|------------------------|---------|--|--|--|
| | (calculated) | % change | Revenue | % change | Products Tax to GR | Refunds* | Tobacco Products After Refunds* | Surcharge | Floor Tax | GR Service Charge | Health Care Trust Fund | Refunds | Net Health Care Trust Fund After Refunds | Net Surcharge Distributed After Refund | |
| 2003-04 | 110.8 | 9.9% | 27.7 | | 27.7 | | 27.7 | | | | | | | | |
| 2004-05 | 116.0 | 4.7% | 29.0 | 4.7% | 29.0 | | 29.0 | | | | | | | | |
| 2005-06 | 110.0 | -5.2% | 27.5 | -5.2% | 27.5 | | 27.5 | | | | | | | | |
| 2006-07 | 132.4 | 20.4% | 33.1 | 20.4% | 33.1 | | 33.1 | | | | | | | | |
| 2007-08 | 130.8 | -1.2% | 32.7 | -1.2% | 32.7 | | 32.7 | | | | | | | | |
| 2008-09 | 114.2 | -12.7% | 28.5 | -12.7% | 28.5 | | 28.5 | | | | | | | | |
| 2009-10 | 95.8 | -16.1% | 81.4 | 185.2% | 25.6 | | 25.6 | | | | | | | | |
| 2010-11 | 107.0 | 11.7% | 91.0 | 11.7% | 27.3 | | 27.3 | | | | | | | | |
| 2011-12 | 110.1 | 2.8% | 93.5 | 2.8% | 28.0 | | 28.0 | | | | | | | | |
| 2012-13 | 115.9 | 5.3% | 98.5 | 5.3% | 28.4 | | 28.4 | | | | | | | | |
| 2013-14 | 109.0 | -6.0% | 92.6 | -6.0% | 27.6 | 0.6 | 27.6 | | | | | | | | |
| 2014-15 | 121.1 | 11.1% | 102.9 | 11.1% | 30.0 | 0.1 | 30.0 | | | | | | | | |
| 2015-16 | 130.2 | 7.5% | 110.6 | 7.5% | 32.5 | 0.1 | 32.5 | | | | | | | | |
| 2016-17 | 134.9 | 3.7% | 114.7 | 3.7% | 33.3 | 2.2 | 31.1 | | | | | | | | |
| 2017-18 | | | | | | | | | | | | | | | |
| February 2017 | 135.1 | 0.1% | 114.9 | 0.1% | 33.8 | | 33.8 | | | | | | | | |
| August 2017 | 139.0 | 3.0% | 118.1 | 3.0% | 34.7 | 8.0 | 26.7 | | | | | | | | |
| 2018-19 | | | | | | | | | | | | | | | |
| February 2017 | 137.8 | 2.0% | 117.2 | 2.0% | 34.5 | | 34.5 | | | | | | | | |
| August 2017 | 142.5 | 2.5% | 121.1 | 2.5% | 35.6 | 5.7 | 29.9 | | | | | | | | |
| 2019-20 | | | | | | | | | | | | | | | |
| February 2017 | 140.6 | 2.0% | 119.5 | 2.0% | 35.1 | | 35.1 | | | | | | | | |
| August 2017 | 145.3 | 2.0% | 123.5 | 2.0% | 36.3 | 4.6 | 31.7 | | | | | | | | |
| 2020-21 | | | | | | | | | | | | | | | |
| February 2017 | 143.4 | 2.0% | 121.9 | 2.0% | 35.8 | | 35.8 | | | | | | | | |
| August 2017 | 148.2 | 2.0% | 126.0 | 2.0% | 37.1 | 4.6 | 32.5 | | | | | | | | |
| 2021-22 | | | | | | | | | | | | | | | |
| February 2017 | 146.3 | 2.0% | 124.3 | 2.0% | 36.6 | | 36.6 | | | | | | | | |
| August 2017 | 151.2 | 2.0% | 128.5 | 2.0% | 37.8 | | 37.8 | | | | | | | | |
| 2022-23 | | | | | | | | | | | | | | | |
| August 2017 | 154.2 | 2.0% | 131.1 | 2.0% | 38.6 | | 38.6 | | | | | | | | |

* Prior to FY2016-17, OTP Tax to GR refunds were not directly deducted from that source, and the history is incomplete. In these years, the refunds for OTP Excise Tax are shown for display purposes only and are not deducted when calculating the "Net OTP After Refunds" column.