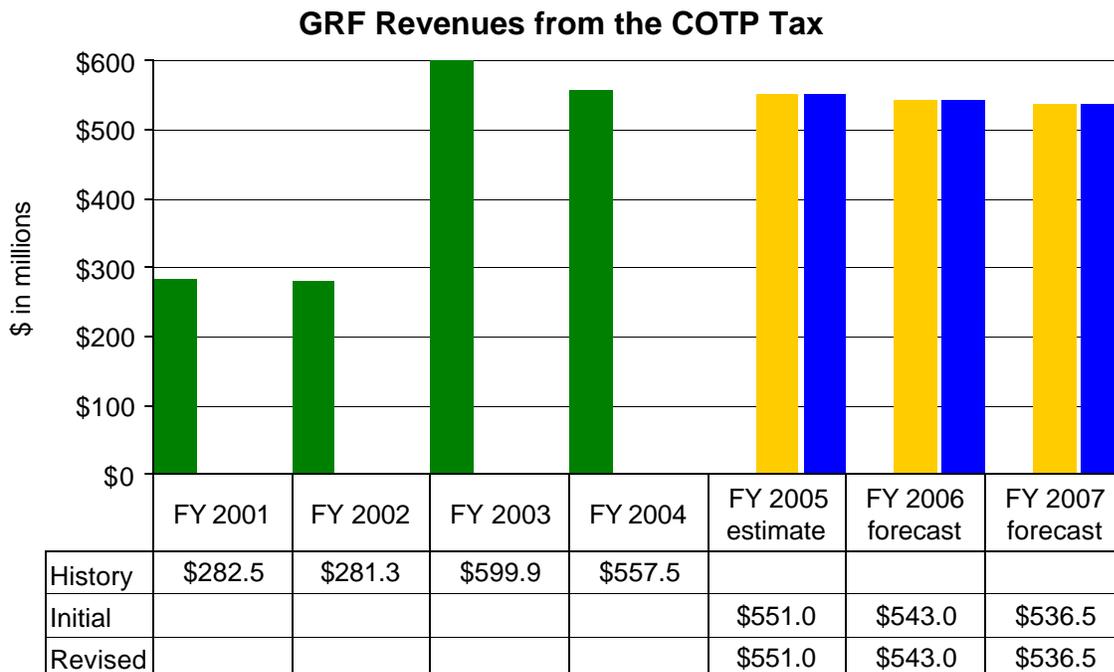


**Cigarette and Other Tobacco Products Tax**



The baseline forecast for cigarette and other tobacco products is unchanged from the February baseline forecast. GRF revenues from the cigarette and other tobacco products is estimated at \$551.0 million in FY 2005, \$543.0 million in FY 2006, and \$536.5 million in FY 2007.

The Executive proposal increases the cigarette tax rate from \$0.55 per pack of 20 cigarettes to \$1.00 per pack, and imposes a "floor tax" on cigarettes in inventory on July 1, 2005. GRF revenues would increase by \$304.0 million in FY 2006 and \$296.0 million in FY 2007 from the cigarette tax rate increase. The floor tax is expected to boost revenues by \$44.0 million in FY 2006 only. The Executive proposal also increases the tax on other tobacco products from 17% to 30% of wholesale value. This would augment GRF revenues by \$18.0 million in FY 2006 and \$19.5 million in FY 2007.

H.B. 66, As Passed by the Senate, increases the cigarette tax rate from \$0.55 to \$1.25 per pack, and eliminates the proposed increase in the tax rate of other tobacco products. The increase in the cigarette tax rate to \$1.25 per pack would increase cigarette revenues over the baseline forecast by about \$457 million in FY 2006 and \$443 million in FY 2007. The floor tax would add another \$64.0 million in FY 2006 only.