

STATEMENT OF PURPOSE

RS20445

Presently, cigarettes that are shipped to a purchaser, who is on an Idaho Indian reservation and is (1) an enrolled member of an Idaho Indian Tribe or (2) a business enterprise which is wholly owned and operated by (a) an enrolled member or members of an Idaho Indian Tribe or (b) an Idaho Indian Tribe, are not subject to Idaho's cigarette excise tax. This legislation changes that and provides for the taxation of such cigarettes to the extent allowed by the United States Constitution. The legislation does provide for a credit for applicable taxes imposed by a Tribe and it also provides for a n exemption for cigarettes purchased by an enrolled member of the Tribe on his reservation in order to comply with controlling United States Supreme Court precedent related to the taxation of cigarettes purchased on a reservation by a member of the Tribe.

FISCAL NOTE

In FY 2010, 324,170,800 cigarettes were reported as being shipped to an Indian reservation located in Idaho. That figure, multiplied by the present Idaho cigarette excise tax (\$.57 per pack), equals \$9,238,867.80. However, \$9,238,867.80 is not the estimated amount of revenue that the State would accrue should this legislation be enacted. Credits for tribal taxes paid, as well as an exemption for cigarettes purchased by enrolled members of a Tribe on their reservation, would need to be deducted from this amount. Further, with enactment of this legislation, the total number of cigarettes shipped to reservations located in Idaho could be expected to decrease. No negative fiscal impact with respect to cigarette tax revenue, however is anticipated. Additional administration and enforcement expenses should not be significant.

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