

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 556, as amended by Senate Amendment 6 & 9** August 14, 2007
SPONSOR (S): Currie – Davis, et al. (Cullerton – Collins, et al).
SYSTEM(S): Pension Stabilization Fund

FISCAL IMPACT: The fiscal impact of HB 556, as amended by SA #6 & #9, would increase cigarette tax revenues by an annualized amount of approximately **\$350 million** by increasing the State cigarette tax rate from \$0.98 to \$1.88 per pack.

Of the amount collected, 0.57% (or approximately \$2 million) would be paid into the Tax Compliance and Enforcement Fund; 28.57% (or approximately \$100 million) would be paid into the Healthcare Provider Relief Fund; and 70.86% (or approximately \$248 million) would be paid into the Pension Stabilization Fund.

Because the additional tax would not begin until June 1, 2008, these new revenues would not be realized until FY 2009.

SUBJECT MATTER: HB 556, as amended by SA #6 & #9, requires the proceeds of additional taxes from the Cigarette Tax Act and the Cigarette Use Tax Act be paid into the Tax Compliance and Enforcement Fund, the Healthcare Provider Relief Fund, and the Pension Stabilization Fund, as outlined in the comments below.

FISCAL IMPACT: The fiscal impact of HB 556, as amended by SA #6 & #9, would increase cigarette tax revenues by an annualized amount of approximately **\$350 million** by increasing the State cigarette tax rate from \$0.98 to \$1.88 per pack.

Of the amount collected, 0.57% (or approximately \$2 million) would be paid into the Tax Compliance and Enforcement Fund; 28.57% (or approximately \$100 million) would be paid into the Healthcare Provider Relief Fund; and 70.86% (or approximately \$248 million) would be paid into the Pension Stabilization Fund.

Because the additional tax would not begin until June 1, 2008, these new revenues would not be realized until FY 2009.

COMMENT: Currently, a tax is imposed upon any person engaged in business as a retailer of cigarettes in this State at the rate of 20.0 mills per cigarette sold, or otherwise disposed of in the course of such business in this state. HB 556, as amended by SA #6 & #9, would require a tax to be imposed, in addition to any other tax imposed, upon any person engaged in the business as a retailer of cigarettes at 45 mills per cigarette sold. Under this bill, from the additional money received by the Department of Revenue and the Cigarette Use Tax Act, 0.57% must be paid each month into the Tax Compliance and Enforcement Fund for the purpose of the enforcement of this Act and the Cigarette Use Tax Act, 25.57% must be paid into the Healthcare Provider Relief Fund; and 70.86% must be paid each month into the Pension Stabilization Fund.

Pension Stabilization Fund

The Pension Stabilization Fund was created by P.A. 94-0839 as a special fund in the State treasury. The monies deposited in the fund shall be used for the sole purpose of making payments to the five State-funded retirement systems (Teachers' Retirement System, State Employees' Retirement System, State Universities' Retirement System, Judges Retirement System, and General Assembly Retirement System). For each fiscal year when the General Assembly's appropriations from general funds do not exceed 99% of estimated general funds revenue, the Comptroller shall transfer from the General Revenue Fund as provided by a total amount equal to .5% of the estimated general funds revenues to the Pension Stabilization Fund.

The Pension Stabilization Fund serves only to reduce unfunded liabilities of the systems; it is not intended to reduce state contributions made in accordance with the current pension funding law.

BB:dkb

LRB095 06362 BDD 38523 a