

Representative Paul Ray proposes the following substitute bill:

**CIGARETTE TAX INCREASE AND
APPROPRIATIONS**

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Paul Ray

Senate Sponsor: _____

7	Cosponsors:	Bradley G. Last	Jennifer M. Seelig
8	Rebecca Chavez-Houck	Steven R. Mascaro	Stephen H. Urquhart
9	Lynn N. Hemingway	Karen W. Morgan	R. Curt Webb
10	Neal B. Hendrickson	Carol Spackman Moss	

LONG TITLE

General Description:

This bill amends the Cigarette and Tobacco Tax and Licensing Act.

Highlighted Provisions:

This bill:

- ▶ increases the cigarette tax by an amount equivalent to 50 cents per pack of 20 cigarettes (from 69.5 cents to \$1.19½ per pack for cigarettes weighing not more than three pounds per thousand, and from 81.5 cents to \$1.31½ per pack for cigarettes weighing more than three pounds per thousand);
- ▶ specifies that the lesser of \$22,601,500 or the total amount of the tax increase shall be deposited annually in the Cigarette Tax Restricted Account and, as funds are available, appropriated annually to fund specified activities;
- ▶ updates the formula for appropriating revenue remaining in the Cigarette Tax Restricted Account at the end of the fiscal year; and
- ▶ makes technical changes.



27 **Monies Appropriated in this Bill:**

28 None

29 **Other Special Clauses:**

30 This bill takes effect on July 1, 2008.

31 This bill coordinates with H.B. 131, Community Based Self Sufficiency Grants, by
32 eliminating a duplicate appropriation.

33 **Utah Code Sections Affected:**

34 AMENDS:

35 **59-14-204**, as last amended by Laws of Utah 2007, Chapter 6

36

37 *Be it enacted by the Legislature of the state of Utah:*

38 Section 1. Section **59-14-204** is amended to read:

39 **59-14-204. Tax basis -- Rate -- Future increase -- Restricted account -- Use of**
40 **revenues.**

41 (1) Except for cigarettes described under Subsection 59-14-210(3), there is levied a tax
42 upon the sale, use, storage, or distribution of cigarettes in the state.

43 (2) The rates of the tax levied under Subsection (1) are:

44 (a) [~~3.475~~] 5.975 cents on each cigarette, for all cigarettes weighing not more than
45 three pounds per thousand cigarettes; and

46 (b) [~~4.075~~] 6.575 cents on each cigarette, for all cigarettes weighing in excess of three
47 pounds per thousand cigarettes.

48 (3) Except as otherwise provided under this chapter, the tax levied under Subsection
49 (1) shall be paid by any person who is the manufacturer, jobber, importer, distributor,
50 wholesaler, retailer, user, or consumer.

51 (4) The tax rates specified in this section shall be increased by the commission by the
52 same amount as any future reduction in the federal excise tax on cigarettes.

53 (5) (a) There is created within the General Fund a restricted account known as the
54 "Cigarette Tax Restricted Account."

55 (b) (i) Beginning on July 1, 1998, \$250,000 of the revenues generated by the increase
56 in the cigarette tax under this section enacted during the 1997 Annual General Session shall be
57 [~~annually~~] deposited [~~into~~] annually in the account.

58 ~~[(e)]~~ (ii) The Department of Health shall expend the funds deposited in the account
59 under Subsection (5)(b)(i) for a tobacco prevention and control media campaign targeted
60 towards children.

61 ~~[(d)]~~ (c) (i) The following revenue generated from the tax increase imposed under
62 ~~[Subsection (4)]~~ this section during the 2002 Annual General Session shall be deposited
63 annually in the Cigarette Tax Restricted Account:

64 ~~[(i)]~~ (A) 22% of the revenue, to be annually appropriated to the Department of Health
65 for tobacco prevention, reduction, cessation, and control programs;

66 ~~[(ii)]~~ (B) 15% of the revenue, to be annually appropriated to the University of Utah
67 Health Sciences Center for the Huntsman Cancer Institute for cancer research; and

68 ~~[(iii)]~~ (C) 21% of the revenue, to be annually appropriated to the University of Utah
69 Health Sciences Center for medical education at the University of Utah School of Medicine.

70 (ii) The Legislature shall give particular consideration to appropriating any revenue
71 generated from the tax increase imposed under this section during the 2002 Annual General
72 Session and not otherwise appropriated pursuant to Subsection (5)(c)(i) to enhance Medicaid
73 provider reimbursement rates and medical coverage for the uninsured.

74 (d) Beginning July 1, 2008, the lesser of \$22,601,500 or the total amount of the
75 revenue generated by the increase in cigarette tax rates under Subsection (2) adopted during the
76 2008 Annual General Session shall be deposited annually in the Cigarette Tax Restricted
77 Account and, as funds are available, appropriated according to the following order:

78 (i) \$2,300,000 shall be appropriated annually to the Department of Health for cancer
79 screening by the Cancer Screening and Mortality Reduction Program created under Section
80 26-21a-301;

81 (ii) \$800,000 shall be appropriated annually to the Department of Health for the Gold
82 Medal Schools Program;

83 (iii) \$2,000,000 shall be appropriated annually to the Department of Health for tobacco
84 prevention, reduction, cessation, and control programs;

85 (iv) \$5,000,000 shall be appropriated annually to the University of Utah Health
86 Sciences Center for the Huntsman Cancer Institute for cancer research;

87 (v) \$1,250,000 shall be appropriated annually to the Division of Child and Family
88 Services within the Department of Human Services for family support centers;

89 (vi) \$800,000 shall be appropriated annually to the Division of Services for People
90 with Disabilities within the Department of Human Services for brain injury waiver services;

91 (vii) \$10,000,000 shall be appropriated annually to the University of Utah medical
92 school for additional student slots;

93 (viii) \$401,500 shall be appropriated annually to the Department of Health to establish
94 a grant program for community-based services that help low income individuals and
95 individuals underserved by health care make prudent and appropriate use of health care
96 resources; and

97 (ix) \$50,000 shall be appropriated annually to the Governor's Office of Economic
98 Development for the Utah Summer Games.

99 (e) Any balance remaining in the Cigarette Tax Restricted Account at the end of the
100 fiscal year shall be appropriated during the next fiscal year for the purposes set forth in
101 ~~[Subsections (5)(d)(i) through (5)(d)(iii)]~~ this Subsection (5) in proportion to the amount of
102 revenue deposited into the account for each purpose.

103 ~~[(f) The Legislature shall give particular consideration to appropriating any revenues~~
104 ~~resulting from the change in tax rates under Subsection (2) adopted during the 2002 Annual~~
105 ~~General Session and not otherwise appropriated pursuant to Subsection (5)(d) to enhance~~
106 ~~Medicaid provider reimbursement rates and medical coverage for the uninsured.]~~

107 ~~[(g)]~~ (f) Any program or entity that receives funding under Subsection ~~[(5)(d)]~~ (5)(c)(i)
108 shall provide an annual report to the Health and Human Services Interim Committee no later
109 that September 1 of each year. The report shall include:

- 110 (i) the amount funded;
- 111 (ii) the amount expended;
- 112 (iii) a description of the effectiveness of the program; and
- 113 (iv) if the program is a tobacco cessation program, the report required in Section
114 63-97-401.

115 Section 2. **Effective date.**

116 This bill takes effect on July 1, 2008.

117 Section 3. **Coordinating H.B. 355 with H.B. 131 -- Superseding amendments.**

118 If this H.B. 355 and H.B. 131, Community Based Self Sufficiency Grants, both pass, it
119 is the intent of the Legislature that for fiscal year 2008-09, the appropriation in Section

120 59-14-204 of this H.B. 355 to the Department of Health to establish a grant program for
121 community-based services supersede the appropriation in Section 4 of H.B. 131.