

**CIGARETTE TAX INCREASE AND
APPROPRIATIONS FOR PREVENTIVE
HEALTH ACTIVITIES**

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Paul Ray

Senate Sponsor: _____

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 a portion of the tax increase shall be appropriated annually to the Department of Health for cancer screening and the Gold Medal Schools Program;

▶ updates the formula for appropriating revenue remaining in the Cigarette Tax Restricted Account at the end of the fiscal year; and

▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect on July 1, 2008.

Utah Code Sections Affected:



28 AMENDS:

29 **59-14-204**, as last amended by Laws of Utah 2007, Chapter 6

30

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

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

33 **59-14-204. Tax basis -- Rate -- Future increase -- Restricted account -- Use of**
 34 **revenues.**

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

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

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

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

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

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

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

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

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

55 [~~(c)~~] (c) (i) The following revenue generated from the tax increase imposed under
 56 [~~Subsection (1)~~] this section during the 2002 Annual General Session shall be deposited
 57 annually in the Cigarette Tax Restricted Account:

58 [(i)] (A) 22% of the revenue, to be annually appropriated to the Department of Health

59 for tobacco prevention, reduction, cessation, and control programs;

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

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

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

68 (d) Beginning July 1, 2008, \$3,100,000 of the revenue generated by the increase in
69 cigarette tax rates under Subsection (2) adopted during the 2008 Annual General Session shall
70 be deposited annually in the Cigarette Tax Restricted Account and appropriated as follows:

71 (i) \$2,300,000 shall be appropriated annually to the Department of Health for cancer
72 screening by the Cancer Screening and Mortality Reduction Program created under Section
73 26-21a-301; and

74 (ii) \$800,000 shall be appropriated annually to the Department of Health for the Gold
75 Medal Schools Program.

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

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

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

87 (i) the amount funded;

88 (ii) the amount expended;

89 (iii) a description of the effectiveness of the program; and

90 (iv) if the program is a tobacco cessation program, the report required in Section
91 63-97-401.
92 Section 2. **Effective date.**
93 This bill takes effect on July 1, 2008.

Legislative Review Note
as of 1-18-08 11:12 AM

Office of Legislative Research and General Counsel

Fiscal Note**H.B. 355 - Cigarette Tax Increase and Appropriations for Preventive Health Activities**

2008 General Session

State of Utah

State Impact

Enactment of this bill would increase General Fund revenue by \$21,700,000 in FY 2009 and by \$21,160,000 in FY 2010. It will also increase restricted revenue by \$3,900,000 annually. The bill requires appropriation of \$3,900,000 per year from restricted funds for tobacco prevention activities.

	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2010</u> <u>Approp.</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>	<u>FY 2010</u> <u>Revenue</u>
General Fund	\$0	\$0	\$0	\$0	\$21,700,000	\$21,160,000
Restricted Funds	\$0	\$3,900,000	\$3,900,000	\$0	\$3,900,000	\$3,900,000
Total	\$0	\$3,900,000	\$3,900,000	\$0	\$25,600,000	\$25,060,000

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for businesses, or local governments. There would be an increase of 50 cents a pack for individuals buying cigarettes.