

Senator Allen M. Christensen proposes the following substitute bill:

TOBACCO TAX AMENDMENTS

2009 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Allen M. Christensen

House Sponsor: _____

LONG TITLE

General Description:

This bill increases the tax on tobacco products.

Highlighted Provisions:

This bill:

- ▶ increases the tax on cigarettes, moist snuff, and other tobacco products; and
- ▶ adjusts allocations from the Cigarette Tax Restricted Account.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect July 1, 2009.

Utah Code Sections Affected:

AMENDS:

59-14-204, as last amended by Laws of Utah 2008, Chapter 382

59-14-302, as last amended by Laws of Utah 2008, Chapter 204

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

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

59-14-204. Tax basis -- Rate -- Future increase -- Restricted account -- Use of



26 revenues.

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

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

30 (a) ~~[3.475]~~ 6.5 cents on each cigarette, for all cigarettes weighing not more than three
31 pounds per thousand cigarettes; and

32 (b) ~~[4.075]~~ 7.625 cents on each cigarette, for all cigarettes weighing in excess of three
33 pounds per thousand cigarettes.

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

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

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

41 (b) The Tax Commission shall deposit into the account \$11,100,000 annually from the
42 revenues generated by the cigarette tax imposed under this section.

43 (c) The Division of Finance shall allocate funds from the account as follows:

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

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

50 ~~[(d) The following revenue generated from the tax increase imposed under Subsection~~
51 ~~(1) during the 2002 General Session shall be deposited in the Cigarette Tax Restricted~~
52 ~~Account:]~~

53 (i) ~~[22% of the revenue to be]~~ \$3,100,000 annually ~~[appropriated]~~ to the Department of
54 Health for tobacco prevention, reduction, cessation, and control programs;

55 (ii) ~~[15% of the revenue to be]~~ \$4,400,000 annually ~~[appropriated]~~ to the University of
56 Utah Health Sciences Center for the Huntsman Cancer Institute for cancer research; and

57 (iii) ~~[21% of the revenue to be]~~ \$3,600,000 annually ~~[appropriated]~~ to the University of
 58 Utah Health Sciences Center for medical education at the University of Utah School of
 59 Medicine.

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

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

68 ~~[(g) Any program or entity that receives funding under Subsection (5)(d) shall provide~~
 69 ~~an annual report to the Health and Human Services Interim Committee no later than September~~
 70 ~~1 of each year. The report shall include:]~~

71 ~~[(i) the amount funded;]~~

72 ~~[(ii) the amount expended;]~~

73 ~~[(iii) a description of the effectiveness of the program; and]~~

74 ~~[(iv) if the program is a tobacco cessation program, the report required in Section~~
 75 ~~51-9-203.]~~

76 Section 2. Section **59-14-302** is amended to read:

77 **59-14-302. Tax basis -- Rates.**

78 (1) As used in this section:

79 (a) "Manufacturer's sales price" means the amount the manufacturer of a tobacco
 80 product charges after subtracting a discount.

81 (b) "Manufacturer's sales price" includes an original Utah destination freight charge,
 82 regardless of:

83 (i) whether the tobacco product is shipped f.o.b. origin or f.o.b. destination; or

84 (ii) who pays the original Utah destination freight charge.

85 (2) There is levied a tax upon the sale, use, or storage of tobacco products in the state.

86 (3) The tax levied under Subsection (2) shall be paid by the manufacturer, jobber,
 87 distributor, wholesaler, retailer, user, or consumer.

88 (4) The rate of the tax under this section is:
89 (a) for tobacco products except for moist snuff, [~~35%~~] 57% of the manufacturer's sales
90 price; or
91 (b) subject to Subsection (5), for moist snuff, [~~\$.75~~] \$1.40 per ounce.
92 (5) (a) The tax under this section on moist snuff shall be imposed on the basis of the
93 net weight of the moist snuff as listed by the manufacturer.
94 (b) If the net weight of moist snuff is in a quantity that is a fractional part of one ounce,
95 a proportionate amount of the tax described in Subsection (4)(b) is imposed:
96 (i) on that fractional part of one ounce; and
97 (ii) in accordance with rules made by the commission in accordance with Title 63G,
98 Chapter 3, Utah Administrative Rulemaking Act.
99 Section 3. **Effective date.**
100 This bill takes effect July 1, 2009.