

**Representative Carl R. Saunders** proposes the following substitute bill:

**CIGARETTE AND TOBACCO TAX**

**AMENDMENTS**

2002 GENERAL SESSION

STATE OF UTAH

**Sponsor: Carl R. Saunders**

6	Martin R. Stephens	Bradley T. Johnson	Paul Ray
7	Brent D. Parker	Neil A. Hansen	Carol Spackman Moss
8	Peggy Wallace	LaWanna Lou Shurtliff	David L. Hogue
9	David N. Cox	Afton B. Bradshaw	Douglas C. Aagard
10	Michael R. Styler	Patricia W. Jones	Patrice M. Arent
11	Kory M. Holdaway		

**12 This act modifies the Cigarette and Tobacco Tax and Licensing Act. This act increases the**  
**13 rates of tax levied on cigarettes ~~and other tobacco products~~ and specifies how a portion of**  
**14 any increase in cigarette tax revenues will be used.**

15 This act affects sections of Utah Code Annotated 1953 as follows:

16 AMENDS:

17 **59-14-204**, as last amended by Chapter 190, Laws of Utah 2000

18 ~~**59-14-302**, as renumbered and amended by Chapter 2, Laws of Utah 1987~~ **h**

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

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

21 **59-14-204. Tax basis -- Rate -- Future increase -- Restricted account -- Use of**  
22 **revenues.**

23 (1) Except for cigarettes described under Section 59-14-210, there is levied a tax upon the  
24 sale, use, or storage of cigarettes in the state.

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

26 (a) ~~[2.575]~~ **h** ~~[4.075]~~ **3.475 h** cents on each cigarette, for all cigarettes weighing not more than

26a three



27 pounds per thousand cigarettes; and

28 (b) ~~[3.175]~~ ~~¢~~ ~~[4.675]~~ 4.075 ~~¢~~ cents on each cigarette, for all cigarettes weighing in excess of  
28a three

29 pounds per thousand cigarettes.

30 (3) The tax levied under Subsection (1) shall be paid by the manufacturer, jobber,  
31 distributor, wholesaler, retailer, user, or consumer.

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

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

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

39 (c) The Department of Health shall expend the funds deposited in the account under  
40 Subsection (5)(b) for a tobacco prevention and control media campaign targeted towards children.

41 (d) The following ~~¢~~ ~~[amounts of tax levied under Subsection (1)]~~ **REVENUE GENERATED**  
41a **FROM THE TAX INCREASE IMPOSED UNDER SUBSECTION (1) DURING THE 2002 GENERAL**  
41b **SESSION** ~~¢~~ shall be deposited in the  
42 Cigarette Tax Restricted Account:

43 (i) ~~¢~~ ~~[an amount equal to a tax of 0.5 cents on each cigarette taxed under Subsection (1),]~~  
43a ~~¢~~ ~~[33%]~~ **22%** ~~¢~~ **OF THE REVENUE** ~~¢~~ to  
44 be annually appropriated to the Department of Health for tobacco prevention, reduction, cessation,  
45 and control programs;

46 (ii) ~~¢~~ ~~[an amount equal to a tax of 0.25 cents on each cigarette taxed under Subsection (1),]~~  
46a ~~¢~~ ~~[40%]~~ **15%** ~~¢~~ **OF THE REVENUE** ~~¢~~  
47 to be annually appropriated to the University of Utah Health Sciences Center for the Huntsman  
48 Cancer Institute for cancer research; and

49 (iii) ~~¢~~ ~~[an amount equal to a tax of 0.25 cents on each cigarette taxed under Subsection (1),]~~  
49a **21% OF THE REVENUE** ~~¢~~  
50 to be annually appropriated to the ~~¢~~ ~~[Medical Education Council]~~ **UNIVERSITY OF UTAH HEALTH**  
50a **SCIENCES CENTER** ~~¢~~ for medical education at the  
51 University of Utah School of Medicine.

52 (e) Any balance remaining in the Cigarette Tax Restricted Account at the end of the fiscal  
53 year shall be appropriated during the next fiscal year for the purposes set forth in Subsections

54 (5)(d)(i) through (5)(d)(iii) in proportion to the amount of revenue deposited into the account for  
55 each purpose.

56 (f) The Legislature shall give particular consideration to appropriating any revenues  
57 resulting from the change in tax rates under Subsection (2) adopted during the 2002 Annual

58 General Session and not otherwise appropriated pursuant to Subsection (5)(d) to enhance Medicaid  
59 provider reimbursement rates and medical coverage for the uninsured.

59a     <sup>h</sup> (g) ANY PROGRAM OR ENTITY THAT RECEIVES FUNDING UNDER SUBSECTION (5)(d)  
59b SHALL PROVIDE AN ANNUAL REPORT TO THE HEALTH AND HUMAN SERVICES INTERIM  
59c COMMITTEE NO LATER THAN SEPTEMBER 1 OF EACH YEAR. THE REPORT SHALL INCLUDE:

- 59d     (i) THE AMOUNT FUNDED;
- 59e     (ii) THE AMOUNT EXPENDED;
- 59f     (iii) A DESCRIPTION OF THE EFFECTIVENESS OF THE PROGRAM; AND
- 59g     (iv) IF THE PROGRAM IS A TOBACCO CESSATION PROGRAM, THE REPORT REQUIRED IN

59h SECTION 63-97-401. <sup>h</sup>

60     <sup>h</sup> [Section 2. ~~Section 59-14-302 is amended to read:~~

61     ~~59-14-302. Tax basis -- Rate:~~

62     ~~(1) There is levied a tax upon the sale, use, or storage of tobacco products in the state. The~~  
63 ~~rate of the tax is [35%] 55% of the manufacturer's sales price. The sales price is the amount~~  
64 ~~charged by the manufacturer less all discounts, and includes original Utah destination freight~~  
65 ~~charges, whether the product is shipped f.o.b. origin or f.o.b. destination and regardless of who~~  
66 ~~pays the freight charge.~~

67     ~~(2) The tax levied under Subsection (1) shall be paid by the manufacturer, jobber,~~  
68 ~~distributor, wholesaler, retailer, user, or consumer.] <sup>h</sup>~~