

**CIGARETTE AND TOBACCO TAX
AMENDMENTS**

2002 GENERAL SESSION
STATE OF UTAH

Sponsor: Carl R. Saunders

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

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

AMENDS:

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

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

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 revenues.

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

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

(a) [~~2.575~~] 4.075 cents on each cigarette, for all cigarettes weighing not more than three pounds per thousand cigarettes; and

(b) [~~3.175~~] 4.675 cents on each cigarette, for all cigarettes weighing in excess of three pounds per thousand cigarettes.

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

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



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

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

33 (c) The Department of Health shall expend the funds in the account for a tobacco
34 prevention and control media campaign targeted towards children.

35 (d) The following amounts of tax levied under Subsection (1) shall be deposited in the
36 Cigarette Tax Restricted Account:

37 (i) an amount equal to a tax of 0.5 cents on each cigarette taxed under Subsection (1), to
38 be annually appropriated to the Department of Health for tobacco prevention, reduction, cessation,
39 and control programs;

40 (ii) an amount equal to a tax of 0.25 cents on each cigarette taxed under Subsection (1),
41 to be annually appropriated to the University of Utah Health Sciences Center for the Huntsman
42 Cancer Institute for cancer research; and

43 (iii) an amount equal to a tax of 0.25 cents on each cigarette taxed under Subsection (1),
44 to be annually appropriated to the Medical Education Council for medical education at the
45 University of Utah School of Medicine.

46 (e) Any balance remaining in the Cigarette Tax Restricted Account at the end of the fiscal
47 year shall be appropriated during the next fiscal year for the purposes set forth in Subsections
48 (5)(d)(i) through (5)(d)(iii) in proportion to the amount of revenue deposited into the account for
49 each purpose.

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

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

55 **59-14-302. Tax basis -- Rate.**

56 (1) There is levied a tax upon the sale, use, or storage of tobacco products in the state. The
57 rate of the tax is [~~35%~~] 55% of the manufacturer's sales price. The sales price is the amount
58 charged by the manufacturer less all discounts, and includes original Utah destination freight

59 charges, whether the product is shipped f.o.b. origin or f.o.b. destination and regardless of who
60 pays the freight charge.

61 (2) The tax levied under Subsection (1) shall be paid by the manufacturer, jobber,
62 distributor, wholesaler, retailer, user, or consumer.

Legislative Review Note
as of 1-8-02 9:04 AM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel