

HOUSE RESEARCH

Bill Summary

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Subject: Cigarette cost mitigation fee

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Overview

This bill imposes a cigarette cost mitigation fee to replace revenues from repealing the MinnesotaCare provider taxes. The dollar amount of the fee would be set every two years by the legislature based on an estimate of the state's cost of smoking. The fee would be collected from cigarette distributors in proportion to their shares of Minnesota tax stamp purchases in the previous calendar year.

Section

- 1 Tax data.** Repeals a cross-reference in the data practices chapter to the MinnesotaCare provider taxes, which are repealed by section 0. (Chapter 295 also now includes the gross receipts tax on fur clothing sales, so this section of the bill should be deleted.)
- 2 Cross-reference.** Fixes a cross- reference in the health care cost containment chapter to the 2004 edition of the statutes so that repeal of the MinnesotaCare taxes under section 0 will not eliminate references to the repealed tax.
- 3 Cigarette cost mitigation fee.**

Subd. 1. Imposition of fee. Imposes a cigarette cost mitigation to:

- Recover costs the state incurs as a result of smoking; and
- Reduce smoking, particularly by youths.

Section

Subd. 2. Definitions. Provides the definitions under the cigarette excise tax apply (e.g., "commissioner" means the commissioner of revenue).

Subd. 3. Computation of fee. Directs the legislature to set the fee every two years based on an estimate of the health costs to the state of smoking. The bill contains a blank amount for the initial amount of the fee. Each distributor pays a share of the annual amount based on its proportion of the total number of Minnesota tax stamps purchased in the previous calendar year. Each fiscal year, the commissioner of revenue determines each distributor's share of the fee by May 1st and notifies the distributor of the amount.

Subd. 4. Successors in interest; new entrants. Imposes the fee on a successor in interest to a distributor - e.g., if a distributor sold its business or merged with another entity, the new entity would pay the fee based on the old entity's purchases of tax stamps. New distributors (or those selling fewer than 500,000 cigarettes per month) would pay the fee based on the average fee rate on their actual sales.

Subd. 5. Payment. Requires distributors to pay the fee in equal monthly payments.

Subd. 6. Fee on use of unstamped cigarettes. Directs the commissioner to estimate the average rate of the fee for each year and publish it in the State Register. This fee applies to any cigarettes that are not stamped under the Minnesota excise tax and to new entrants as described in subdivision 4.

Subd. 7. Administration. Provides that the audit, assessment, interest, appeal, refund, and collection provisions under the cigarette tax apply to enforce the fee.

Subd. 8. License revocation. Authorizes the commissioner to revoke distributors' licenses and retailers' sales and use tax permits for failing to comply with the fee.

Subd. 9. Deposit of revenues. Provides for deposit of revenues in the health care access fund.

Subd. 10. APA exemption. Exempts the commissioner's calculations of fee amounts from the administrative procedures act.

Effective date : July 1, 2005, except the fee in the first fiscal year applies at 5/6th the rate and is due starting in September 2005.

- 4 **Cross-reference.** Substitutes a definition of "staff model health plan company" for a statutory cross-reference to the MinnesotaCare provider tax, repealed by section 0. This definition is substantively identical to the cross reference that is now in law.
- 5 **Health boards.** Eliminates the requirement that various health boards assist the Commissioner of Revenue in enforcing the provider tax, which is repealed by section 0.
- 6 **Grounds for disciplinary action.** Eliminates references to the MinnesotaCare taxes that are repealed by section 0.
- 7 **Disclosure to the Commissioner of Human Services.** Fixes a cross reference in tax data

Section

practices chapter to the 2004 edition of the statutes so that the repeal of the MinnesotaCare taxes under section 0 will not eliminate the commissioner of revenue's authority to share this data with the commissioner of human services.

8 Conforming change in Unfair Cigarette Sales Act. Modifies the definition of "basic cost of cigarettes" under the law that sets minimum prices for cigarettes to reflect the fee imposed by section 0.

9 Repealer. Repeals the MinnesotaCare provider taxes, effective January 1, 2006.