

HOUSE RESEARCH

Bill Summary

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Subject: Cigarette excise tax increase

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Overview

This bill increases the cigarette excise tax by \$1 per pack of 20 cigarettes. This will increase the tax rate to \$1.48/pack.

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- 1 Cigarette tax rate.** Increases the rate of the cigarette tax from \$.48/pack of 20 to \$1.48/pack.
- Effective date :** July 1, 2005.
- 2 A djustment of dedications.** Increases the rate of dedications of cigarette tax revenues to two special health care related funds, the Academic Health Center special revenue fund and the medical education and research cost account. These increases are intended to prevent the tax rate increase in section 0 from reducing the revenues of these funds. These funds receive the revenues generated by a statutorily fixed rate of tax (set as a number of cents per cigarette). Since the tax increase will increase the price of cigarettes, this will result in reduced purchases of cigarettes and lower tax revenues under the dedications. Thus, absent an upward adjustment in the dedication, revenues to these funds would drop
- Effective date :** Revenues received subject to the tax rate increase in section 0.
- 3 F loor stocks tax.** Imposes a compensating floor stocks tax on July 1st of \$1/pack. This tax applies to the stock of already stamped cigarettes that retailers and distributors have in their possession on July 1, when the regular tax increase goes into effect. This is intended to

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prevent distributors and retailers from stocking upon on cigarettes (at the old lower rate) in anticipation of the rate increase.

Effective date : July 1, 2005.