

Subject Tobacco product definition amended to include electronic delivery devices; cigarette and tobacco product excise tax increased; special revenue fund tobacco prevention and cessation account established, and money appropriated

Authors Schultz

Analyst Alexandra Haigler
Elisabeth Klarqvist

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Overview

This bill provides a number of changes to the cigarette and tobacco products taxes, as well as to the regulation of these products within the state. Those changes include:

- amending certain definitions to conform with recent changes in federal law;
- increasing the tax rates for cigarettes, tobacco products, and premium cigars;
- subjecting electronic delivery devices, including vapor products, to the wholesale tobacco tax; and
- creating a tobacco use prevention and cessation account and appropriating \$15 million annually to the commissioner of health and creating a School of Public Health special revenue fund and appropriating \$10 million annually to the Board of Regents of the University of Minnesota.

Summary

Section	Description
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1	Electronic delivery device.
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Creates a definition of “electronic delivery device” in the cigarette/tobacco products tax chapter that includes any device that may be used to deliver aerosolized or vaporized nicotine or other substance, but excludes devices approved by the US FDA as a tobacco cessation product or used for other therapeutic purposes.

Effective July 1, 2021.

Section	Description
2	<p>Tobacco products.</p> <p>Amends the definition of “tobacco products” in the cigarette/tobacco products tax chapter to include “electronic delivery devices.” This change will also subject electronic delivery devices to the tobacco products wholesale tax.</p> <p>Effective July 1, 2021.</p>
3	<p>Wholesale sales price.</p> <p>Amends the definition of “wholesale sales price” in the cigarette/tobacco products tax chapter to accommodate the new definition of “electronic delivery device” made in section 1.</p> <p>Effective July 1, 2021.</p>
4	<p>Registration requirement.</p> <p>Requires out-of-state retailers of cigarettes, tobacco products, or electronic delivery devices making delivery sales in Minnesota to provide their telephone number, cell phone number, e-mail address, website address, and street address to the Department of Revenue.</p> <p>Effective July 1, 2021.</p>
5	<p>Rates; cigarettes.</p> <p>Increases the cigarette excise tax to 22.7 cents per cigarette (or \$4.54 per pack). Currently, this tax is \$3.04/pack.</p> <p>Effective July 1, 2021.</p>
6	<p>Rates; tobacco products.</p> <p>Increases the wholesale tax on tobacco products from 95 percent of the wholesale sales price to 97 percent.</p> <p>Effective July 1, 2021.</p>
7	<p>Rates; premium cigars.</p> <p>Increases the maximum tax imposed on premium cigars to either \$5.00/cigar or 97 percent of the wholesale price, whichever is less. This tax is currently \$0.50/cigar or 95 percent of the wholesale price.</p> <p>Effective July 1, 2021.</p>

Section	Description
8	<p>Use tax; tobacco products.</p> <p>Makes a corresponding increase to the use tax imposed on tobacco products needed by the increase in section 6.</p> <p>Effective July 1, 2021.</p>
9	<p>Use tax; premium cigars.</p> <p>Makes a corresponding increase to the use tax imposed on tobacco products needed by the increase in section 7.</p> <p>Effective July 1, 2021.</p>
10	<p>Tax and use tax on cigarettes.</p> <p>Creates the tobacco use prevention and cessation account in the special revenue fund and appropriates \$15 million annually to the commissioner of health to be deposited in this account from the proceeds of the taxes imposed on cigarettes. Requires these funds to be used for tobacco use prevention and cessation projects, with priority given to projects aimed at preventing youth use of tobacco and vapor products. Also creates a School of Public Health special revenue fund, deposits into this fund \$10 million annually from the proceeds of taxes imposed on cigarettes, and appropriates this amount annually to the Board of Regents of the University of Minnesota for School of Public Health funding.</p> <p>Effective July 1, 2021.</p>
11	<p>Fee imposed.</p> <p>Makes a corresponding increase to the fee imposed on the sale of nonsettlement cigarettes needed by the increase in section 5.</p> <p>Effective July 1, 2021.</p>
12	<p>Imposition.</p> <p>Makes a corresponding adjustment to the calculation of the weighted average retail price for the sale of cigarettes needed by the increase in section 5.</p> <p>Effective July 1, 2021.</p>
13	<p>Definitions.</p> <p>Clarifies that the definition of “delivery sale” includes retailers that do not have a physical presence in the state, but make sales of cigarette and tobacco products into the state.</p>

Section	Description
	Updates cross-references within the definition of “tobacco products.”
14	Definitions. Clarifies the definition of “electronic delivery device” in the section of law that prohibits the sale of tobacco, tobacco-related devices, and electronic delivery devices to persons under age 21.
15	Floor stocks tax. Imposes a floor stocks tax on packs of cigarettes that retailers and distributors have in their possession at the time the increased tax rate provided by section 5 goes into effect. This is to ensure all cigarettes are treated equally when the increased rate is imposed. Effective July 1, 2021.
16	Repealer. Repeals the definition of “nicotine solution products” in the cigarette/tobacco products tax chapter. This definition is rendered obsolete by the creation of the definition of “electronic delivery device.”



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