

MAINE STATE LEGISLATURE

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L.D. 945

Date: 7-17-17

(Filing No. H-560)

REPORT A
TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
128TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 673, L.D. 945, Bill, "An Act To Reduce the Burden of Tobacco-related Illness by Increasing Revenue from the Cigarette Tax for Use for Tobacco Cessation"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

'Sec. 1. 36 MRSA §4365-F, as enacted by PL 2005, c. 457, Pt. AA, §3 and affected by §8, is repealed.

Sec. 2. 36 MRSA §4365-G is enacted to read:

§4365-G. Application of cigarette tax rate increase on or after November 1, 2017

The following provisions apply to cigarettes held for resale on November 1, 2017 to November 1, 2021.

1. Stamped rate. Cigarettes stamped at the rate that applies on October 31st of each year and held for resale after October 31st are subject to tax at the rate specified in this subsection on the immediately following November 1st, as follows:

- A. For cigarettes held on October 31, 2017, 115 mills per cigarette;
- B. For cigarettes held on October 31, 2018, 130 mills per cigarette;
- C. For cigarettes held on October 31, 2019, 145 mills per cigarette;
- D. For cigarettes held on October 31, 2020, 160 mills per cigarette; and
- E. For cigarettes held on October 31, 2021, 175 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate that applies October 31st and the tax rate that applies on the immediately following November 1st as provided in subsection 1. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of November 1st, except that cigarettes held in vending machines as of that date do not require that stamp.

COMMITTEE AMENDMENT

A. of S.

1 **3. Vending machines.** Notwithstanding any other provision of this chapter, it is
2 presumed that all cigarette vending machines are filled to capacity on November 1st and
3 the tax imposed by this section must be reported on that basis. A credit against this
4 inventory tax must be allowed for cigarettes stamped at the rate that applies on November
5 1st per cigarette placed in vending machines before November 1st.

6 **4. Payment.** Payment of the tax imposed by this section must be made to the
7 assessor by January 1st of the year after the increase, accompanied by forms prescribed
8 by the assessor.

9 **Sec. 3. 36 MRSA §4366-A, sub-§2, ¶D,** as amended by PL 2007, c. 438, §93, is
10 further amended to read:

11 D. For stamps at the face value of 100 mills, the discount rate is 1.15%; and

12 **Sec. 4. 36 MRSA §4366-A, sub-§2, ¶E** is enacted to read:

13 E. For stamps sold at a face value exceeding 100 mills, the assessor shall calculate a
14 discount value that is proportional to the discount value under paragraph D.

15 **Sec. 5. 36 MRSA §4366-E** is enacted to read:

16 **§4366-E. Additional tax**

17 Beginning November 1, 2017, an additional tax is imposed on all cigarettes imported
18 into this State or held in this State by any person for sale at the rate of 15 mills for each
19 cigarette. The additional tax is increased to 30 mills on November 1, 2018, 45 mills on
20 November 1, 2019, 60 mills on November 1, 2020 and 75 mills on November 1, 2021.
21 The tax imposed under this section must be added to the tax imposed under section 4365
22 and collected and administered in the same manner as the tax under that section. Payment
23 of the tax is evidenced by the affixing of stamps to the packages containing the cigarettes.
24 Revenue collected under this section must be deposited in a special account to be
25 administered by the Department of Health and Human Services, Maine Center for
26 Disease Control and Prevention for tobacco use prevention and cessation.

27 **Sec. 6. Appropriations and allocations.** The following appropriations and
28 allocations are made.

29 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
30 **Revenue Services, Bureau of 0002**

31 Initiative: Provides funding to reflect an increase in the cigarette tax of 15 mills per
32 cigarette annually until the total tax reaches 175 mills per cigarette on November 1, 2021.

| | | | |
|----|---------------------------|-----------------|-----------------|
| 33 | GENERAL FUND | 2017-18 | 2018-19 |
| 34 | All Other | \$31,000 | \$31,000 |
| 35 | | | |
| 36 | GENERAL FUND TOTAL | <u>\$31,000</u> | <u>\$31,000</u> |

P. of S.

| | | | |
|---|-------------------------------------|------------------------|------------------------|
| 1 | ADMINISTRATIVE AND FINANCIAL | | |
| 2 | SERVICES, DEPARTMENT OF | | |
| 3 | DEPARTMENT TOTALS | 2017-18 | 2018-19 |
| 4 | | | |
| 5 | GENERAL FUND | \$31,000 | \$31,000 |
| 6 | | | |
| 7 | DEPARTMENT TOTAL - ALL FUNDS | <u>\$31,000</u> | <u>\$31,000</u> |

8 **HEALTH AND HUMAN SERVICES, DEPARTMENT OF (FORMERLY DHS)**
 9 **Maine Center for Disease Control and Prevention 0143**
 10 Initiative: Appropriates funds for tobacco use prevention and cessation.

| | | | |
|----|---------------------------|---------------------------|----------------------------|
| 11 | GENERAL FUND | 2017-18 | 2018-19 |
| 12 | All Other | \$8,655,574 | \$21,617,768 |
| 13 | | | |
| 14 | GENERAL FUND TOTAL | <u>\$8,655,574</u> | <u>\$21,617,768</u> |

| | | | |
|----|-------------------------------------|---------------------------|----------------------------|
| 15 | HEALTH AND HUMAN SERVICES, | | |
| 16 | DEPARTMENT OF (FORMERLY DHS) | | |
| 17 | DEPARTMENT TOTALS | 2017-18 | 2018-19 |
| 18 | | | |
| 19 | GENERAL FUND | \$8,655,574 | \$21,617,768 |
| 20 | | | |
| 21 | DEPARTMENT TOTAL - ALL FUNDS | <u>\$8,655,574</u> | <u>\$21,617,768</u> |

| | | | |
|----|----------------------------------|---------------------------|----------------------------|
| 22 | SECTION TOTALS | 2017-18 | 2018-19 |
| 23 | | | |
| 24 | GENERAL FUND | \$8,686,574 | \$21,648,768 |
| 25 | | | |
| 26 | SECTION TOTAL - ALL FUNDS | <u>\$8,686,574</u> | <u>\$21,648,768</u> |
| 27 | | | |

28 **SUMMARY**

29 This amendment phases in the increase in the cigarette tax by 15 mills per year until
 30 it reaches 175 mills on November 1, 2021 and provides that the revenue from the
 31 additional tax be deposited in a special account to be administered by the Department of
 32 Health and Human Services, Maine Center for Disease Control and Prevention for
 33 tobacco use prevention and cessation.
 34

COMMITTEE AMENDMENT

A. of S.

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This amendment also adjusts the appropriations and allocations to reflect the phasing in of the tax increase as proposed in the amendment.

FISCAL NOTE REQUIRED

(See attached)



128th MAINE LEGISLATURE

LD 945

LR 1860(02)

An Act To Reduce the Burden of Tobacco-related Illness by Increasing Revenue from the Cigarette Tax for Use for Tobacco Cessation

Fiscal Note for Bill as Amended by Committee Amendment *A¹ (H-560)*
Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

| | FY 2017-18 | FY 2018-19 | Projections FY 2019-20 | Projections FY 2020-21 |
|-----------------------------------|-------------|--------------|---------------------------|---------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Appropriations/Allocations | | | | |
| General Fund | \$8,686,574 | \$21,648,768 | \$33,355,301 | \$43,966,088 |
| Revenue | | | | |
| General Fund | \$8,686,574 | \$21,648,768 | \$33,355,301 | \$43,966,088 |
| Other Special Revenue Funds | \$2,898 | \$6,994 | \$25,410 | \$31,150 |

Fiscal Detail and Notes

The bill includes General Fund appropriations to the Department of Health and Human Services of \$8,655,574 in fiscal year 2017-18 and \$21,617,768 in fiscal year 2018-19 for tobacco use prevention and cessation services.

The bill increases the cigarette tax by 15 mills per cigarette annually until the total tax reaches 175 mills per cigarette and would increase General Fund revenue by \$8,686,574 in fiscal year 2017-18 and \$21,648,768 in fiscal year 2018-19. It would also increase Local Government Fund revenue by \$2,898 in fiscal year 2017-18 and \$6,994 in fiscal year 2018-19. The bill includes General Fund appropriations of \$31,000 in fiscal years 2017-18 and 2018-19 to reflect an increase in the cigarette tax of 15 mills per cigarette annually until the total tax reaches 175 mills per cigarette.