HB 1914
Bill Analysis

March 6, 1997

Brief Description: Using taxation of cigars for health services.

Bill Sponsors: Representatives Grant, Pennington, Scott, Thompson, Mielke, Cairnes, Sherstad, Ballasiotes, Buck, Schoesler, Robertson, Hickel, Kessler, Roberto, Linville, Hatfield, Sheldon, Benson, Wensman, Mitchell, Dyer, Alexander, Blalock, Morris, Hankins and Backlund.

Staff: Rick Peterson (786-7153)

Background: Cigarette and tobacco products taxes are added directly to the price of these goods before the sales tax is applied. The current rate for the cigarette tax is 82.5 cents per pack of 20 cigarettes. The rate for tobacco products is 74.9 percent of the wholesale price. Examples of tobacco products are cigars, pipe tobacco, and chewing tobacco.

Revenue from the first 23 cents of the cigarette tax goes to the general fund. The next 8 cents are dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter. The next 41 cents go to the health services account. The remaining 10.5 cents are dedicated to youth violence prevention and drug enforcement. For tobacco products tax revenues, 48.15 percent goes to the general fund, 10 percent to the health services account, and the remaining 16.75 percent is dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter.

The tobacco products tax is due from the distributor when the distributor brings tobacco products into the state, manufactures tobacco products in the state, or ships tobacco products to retailers in this state.

The tax is based on the wholesale price. The wholesale price is the price charged by the manufacturer to a distributor.

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Summary of Bill: Cigars are removed from the tobacco products tax.

A tax on cigars is created. The tax is equal to 25 percent of the wholesale sales price. The revenue is dedicated to the health services account.

Fiscal Note: Requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.