

# FINAL BILL REPORT

## ESB 6198

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Synopsis as Enacted

**Brief Description:** Allowing the governor to enter into cigarette sales contracts with certain Indian tribes.

**Sponsors:** Senators Prentice, Deccio, B. Sheldon, Honeyford, T. Sheldon, Jacobsen and Rasmussen.

**Background:** Cigarette taxes are added directly to the price of these goods before the sales tax is applied. The rate for the cigarette tax is 82.5 cents per pack of 20 cigarettes. Retail sales and use taxes are also imposed on sales of cigarettes. 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. The next 41 cents go to the Health Services Account. The final 10.5 cents are dedicated to youth violence prevention and drug enforcement.

Under federal law, the cigarette tax does not apply to cigarettes sold on an Indian reservation to an enrolled tribal member for personal consumption. However, sales made by tribal cigarette retailers to non-tribal members are subject to the tax. Enforcement of state cigarette taxes in respect to tribal retail operations has involved considerable difficulty and litigation, with mixed results.

In the 2001 session, ESSB 5372 passed allowing the Governor to enter into cooperative agreements concerning the sales of cigarettes with federally recognized Indian tribes located within Washington. Cooperative agreements must be for renewable terms of eight years or less. Cigarettes sold on Indian lands during the cooperative agreement's term are subject to a tribal cigarette tax and are exempt from state cigarette, and sales and use taxes.

The Governor is authorized to enter into cooperative agreements with the Squaxin Island Tribe, Nisqually Tribe, Tulalip Tribes, the Mukleshoot Indian Tribe, the Quinault Nation, the Jamestown S'Klallam Indian Tribe, the Port Gamble S'Klallam Tribe, the Stillaguamish Tribe, and the Sauk-Suiattle Tribe, the Skokomish Indian Tribe, the Nooksack Indian Tribe, and the Lummi Nation with a tax rate of 100 percent of the state cigarette and sales tax rate. The 100 percent rate may be phased in over three years but the rate can be no lower than 80 percent of state cigarette and sales tax rate.

**Summary:** The Yakima Indian Nation and the Suquamish Tribe are added to the list of tribes that the Governor may enter into agreements with.

### **Votes on Final Passage:**

#### Second Special Session

Senate	41 0
House	81 2

**Effective:** September 20, 2001