

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE DRH90028-MCx-28 (01/27)

Short Title: Tobacco Products Tax Increase.

(Public)

Sponsors: Representatives Weiss, Luebke, Glazier, and Womble (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROTECT HEALTH AND TO PREVENT DEATH, DISABILITY, AND DISEASE AMONG NORTH CAROLINA RESIDENTS BY INCREASING THE TAX ON TOBACCO PRODUCTS.

Whereas, the use of tobacco products is the leading cause of preventable death and disability in North Carolina; and

Whereas, nearly 10,400 North Carolina children will become regular, daily smokers this year; and

Whereas, the best way to prevent and reduce tobacco use by children is to substantially increase the cost of cigarettes; and

Whereas, a cigarette tax increase of \$1.00 would result in a 15.4% decrease in youth smoking rates, prevent 81,200 North Carolina children from becoming addicted adult smokers, and save 39,100 young people from premature smoking-related deaths; and

Whereas, North Carolina's cigarette tax is currently \$0.45, the seventh lowest in the nation, and the current average cigarette tax among all states is \$1.45; and

Whereas, in contrast to North Carolina's low cigarette tax is the fact that for every pack sold in North Carolina, it costs North Carolina taxpayers \$7.17 per pack in health care costs to treat the serious chronic diseases brought on by cigarette smoking; and

Whereas, the use of tobacco products costs the State \$2.46 billion in direct healthcare costs, \$769 million of which is in Medicaid expenses alone, and \$3.3 billion in lost productivity annually; and

Whereas, these deficits risk cuts to important programs affecting the health and well-being of North Carolinians and more reductions may be threatened; and

Whereas, an increase in the cigarette tax of \$1.00 would generate an estimated additional \$272.5 million in new revenue in the first year; Now, therefore, The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-113.5 reads as rewritten:

"§ 105-113.5. Tax on cigarettes.

A tax is levied on the sale or possession for sale in this State, by a distributor, of all cigarettes at the rate of ~~two~~ seven and one-fourth cents (~~2.25¢~~) (7.25¢) per individual cigarette."

SECTION 2. G.S. 105-113.35 reads as rewritten:

"§ 105-113.35. Tax on tobacco products other than cigarettes.

(a) Tax. – An excise tax is levied on tobacco products other than cigarettes at the rate of ~~twelve and eight tenths percent (12.8%)~~ forty-one and one-quarter percent (41.25%) of the cost price of the products. This tax does not apply to the following:



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- 1 (1) A tobacco product sold outside the State.
- 2 (2) A tobacco product sold to the federal government.
- 3 (3) A sample tobacco product distributed without charge."

4 **SECTION 3.** G.S. 105-113.40A reads as rewritten:

5 **"§ 105-113.40A. Use of tax proceeds.**

6 The Secretary must credit the net proceeds of the tax collected under this Part as follows:

- 7 (1) An amount equal to ~~three percent (3%)~~ nine and eight-tenths percent (9.8%)
- 8 of the cost price of the products to the ~~General Fund~~ University Cancer
- 9 Research Fund established under G.S. 116-29.1.
- 10 (2) The remainder to the ~~University Cancer Research Fund established under~~
- 11 ~~G.S. 116-29.1~~ General Fund."

12 **SECTION 4.** This act becomes effective January 1, 2012.