



H.B. 284

125th General Assembly
(As Introduced)

Rep. Yates

BILL SUMMARY

- Increases the cigarette tax from 55¢ per pack to 74¢ per pack.
- Requires that during the first 36 months that the tax increase is in effect, 25.7% of cigarette tax revenue must be credited to the Tobacco Use Prevention and Control Endowment Fund with the remainder credited to the General Revenue Fund; thereafter, 12.2% must be paid to the Endowment Fund.

CONTENT AND OPERATION

Cigarette tax increase

Under current law the state imposes taxes on cigarettes at the rate of 2.75¢ per cigarette (27.5 mills), which is equivalent to 55¢ per pack of 20 cigarettes. The taxes are payable by wholesale and retail dealers, generally by the purchase of tax stamps that must be affixed to cigarette packages. A "use" tax also is levied at the same rate on cigarettes purchased by consumers (usually outside Ohio) and on which a dealer has not yet paid the Ohio tax.

The bill increases the total tax to 3.7¢ per cigarette, or 74¢ per pack of 20 cigarettes (R.C. 5743.02). The increased rate takes effect immediately upon passage of the bill, and applies to cigarettes on hand (i.e., in a dealer's inventory or not yet sold) on that date. Dealers also must pay the increase for Ohio cigarette tax stamps they previously purchased but have not yet affixed to packages. In order for the increase to be collected for on hand cigarette stocks and unaffixed stamps, the act requires cigarette dealers to report and pay the additional tax on those cigarettes. The report and payment is due 90 days after the effective date of the bill. A late penalty is assessed if a dealer fails to file a report or remit the increase for on hand cigarettes and not-yet-used stamps. The penalty equals \$50 or 10% of the amount of tax due, whichever is greater. In addition, if a dealer fails

to timely remit the increase for on hand cigarettes and not-yet-used stamps, the Tax Commissioner must assess an interest penalty. (Sections 3 and 5.)

Use of proceeds of cigarette tax

Under current law, revenue from cigarette taxes is paid into the General Revenue Fund. The bill requires that during the first 36 months after the cigarette tax increase is in effect, 25.7% of the cigarette tax revenue must be credited to the Tobacco Use Prevention and Control Endowment Fund with the remainder deposited into the General Revenue Fund (Section 4). Thereafter, 12.2% of cigarette tax revenue must be paid to the Endowment Fund, with the remainder deposited in the General Revenue Fund (R.C. 5743.02).

The Endowment Fund is required under current law to be used by the Tobacco Use Prevention and Control Foundation to carry out its duties. Those duties include the preparation of a plan to reduce tobacco use by Ohioans, with emphasis on reducing the use of tobacco by youth, minority and regional populations, pregnant women, and others who may be disproportionately affected by the use of tobacco. Pursuant to the plan, the foundation must carry out, or provide funding for private or public agencies to carry out, research and programs related to tobacco use prevention and cessation. (R.C. 183.07 and 183.08, not in the bill.)

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	09-18-03	p. 1075

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