
Finance Committee

HB 2382

Brief Description: Concerning the taxation of moist snuff.

Sponsors: Representatives Santos, Moeller, Morrell, Cody, Kretz, Hinkle, Armstrong, Walsh and Cox.

Brief Summary of Bill

- Changes the moist snuff tax from a sales price tax to a weight-based tax.
- Changes the distribution of the tobacco products tax to the General Fund, Health Services Account, and the Water Quality Account.

Hearing Date: 4/22/09

Staff: Joseph Archuleta (786-7192)

Background:

The tobacco products tax is a tax that applies to tobacco products, with the exception of cigarettes, which has its own tax. Examples of tobacco products are cigars, pipe tobacco, and chewing tobacco. 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 the state. The tax is based on the wholesale price. The wholesale price is the price charged by the manufacturer to a distributor.

The tobacco products tax rate is 75 percent of taxable sales price. The tax on cigars is the lesser of 75 percent of taxable sales price, or 50 cents per cigar.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The current distribution of revenue from the tobacco products tax is as follows: 37 percent to the General Fund; 50 percent to the Health Services Account; and 13 percent to the Water Quality Account.

Summary of Bill:

Moist snuff is defined as tobacco that is finely cut, ground, or powdered; is not for smoking; and is intended to be placed in the oral, but not the nasal cavity.

Moist snuff is taxed based on the net weight listed by the manufacturer. The tax on each unit that is 1.2 ounces or less is \$2.025. For units that are larger than 1.2 ounces, a tax proportionate to the \$2.025/1.2 ounces is imposed.

As of January 1, 2010, the distribution of the tobacco products tax is 29 percent to the General Fund, 58 percent to the Health Services Account, and 13 percent to the Water Quality Account.

If the federal government requires a tobacco code to track tobacco products, within one year, all individual packages must contain the code that would verify if taxes have been paid on the product. If the federal government does not implement a tobacco code by July 1, 2011, the Department of Revenue (DOR) must come up with a method of determining whether tax has been paid on a product and must provide a recommendation to the Legislature by July 1, 2014.

The Department of Health (DOH), with the assistance of the DOR and the Office of Financial Management, must study the use of the consumption of moist snuff by youth. The DOH must report their findings to the Legislature by December 1, 2010.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.