



Senate

General Assembly

File No. 3

February Session, 2002

Substitute Senate Bill No. 37

Senate, February 22, 2002

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE RATES OF STATE CIGARETTE TAXES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-296 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective April 3, 2002*):

3 A tax is imposed on all cigarettes held in this state by any person for
4 sale, said tax to be at the rate of [twenty-five] fifty-five and one-half
5 mills for each cigarette and the payment thereof shall be for the
6 account of the purchaser or consumer of such cigarettes and shall be
7 evidenced by the affixing of stamps to the packages containing the
8 cigarettes as provided in this chapter.

9 Sec. 2. Section 12-316 of the general statutes is repealed and the
10 following is substituted in lieu thereof (*Effective April 3, 2002*):

11 A tax is hereby imposed at the rate of [twenty-five] fifty-five and
12 one-half mills for each cigarette upon the storage or use within this

13 state of any unstamped cigarettes in the possession of any person other
 14 than a licensed distributor or dealer, or a carrier for transit from
 15 without this state to a licensed distributor or dealer within this state.
 16 Any person, including distributors, dealers, carriers, warehousemen
 17 and consumers, last having possession of unstamped cigarettes in this
 18 state shall be liable for the tax on such cigarettes if such cigarettes are
 19 unaccounted for in transit, storage or otherwise, and in such event a
 20 presumption shall exist for the purpose of taxation that such cigarettes
 21 were used and consumed in Connecticut.

22 Sec. 3. (*Effective from passage*) (a) An excise tax of thirty and one-half
 23 mills per cigarette, as defined in section 12-285 of the general statutes,
 24 is hereby imposed, on April 3, 2002, upon all distributors, as defined in
 25 said section 12-285, licensed under the provisions of chapter 214 of the
 26 general statutes and all dealers, as defined in said section 12-285,
 27 licensed under the provisions of said chapter 214. Payment of the tax
 28 shall be for the account of the purchaser or consumer of such cigarettes
 29 and shall be evidenced by the affixing of stamps to the packages
 30 containing the cigarettes as provided in said chapter 214.

31 (b) Each such licensed distributor and dealer shall, not later than
 32 May 1, 2002, file with the Commissioner of Revenue Services, on forms
 33 prescribed by said commissioner, a report which shall show the
 34 number of cigarettes in inventory as of the close of business on April 2,
 35 2002, or at midnight on said date, upon which inventory the tax under
 36 subsection (a) of this section shall be imposed. Failure to file such
 37 report when due shall be sufficient reason to revoke the license of the
 38 distributor or dealer, as the case may be.

This act shall take effect as follows:	
Section 1	<i>April 3, 2002</i>
Sec. 2	<i>April 3, 2002</i>
Sec. 3	<i>from passage</i>

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	Current FY \$	FY 03 \$
General Fund - Revenue Gain	Department of Revenue Services	\$39.7 Million	\$122.3 Million
General Fund - Cost	Department of Revenue Services	\$180,000	

Municipal Impact: None

Explanation

The table below presents the revenue impact of an increase on the Cigarette Excise Tax by 61 cents per pack or from 50 cents per pack to \$1.11 per pack effective April 3, 2002.

Revenue Impact from Increasing the Cigarette Excise Tax by 61 cents per pack effective April 3, 2002.
Amounts in Millions

	<u>FY 02</u>	<u>FY 03</u>
Cigarette Tax	\$28.7	\$116.2
Tax on Inventory	\$9.5	
Sub Total	\$38.2	\$116.2
Net Sales Tax	\$1.5	\$6.1
Total Tax Revenue	\$39.7	\$122.3

A price elasticity of 4% loss in consumption and in-state purchases for every 10% increase in retail price was taken into account. The estimates do not include the impact of any proposed changes in cigarette taxes in neighboring states.

The Department of Revenue Services is anticipated to incur costs in FY 02 of approximately \$180,000 for programming, auditing, tax stamps, and postage related to administering the inventory tax..

Below is a list of surrounding states' Cigarette Excise and Sales Taxes as of January 1, 2002.

Surrounding States' Cigarette Excise and Sales Taxes

	<u>Excise Tax / Pack</u>	<u>Sales Tax Rate</u>
Connecticut	\$0.50	6%
Massachusetts	\$0.76	5%
New York (1)	\$1.11	4%
New York City	\$0.08	4.5%
NY City & State	\$1.19	8.5%
New Hampshire	\$0.52	No State Sales Tax
New Jersey	\$0.80	6%
Rhode Island	\$1.00	7%
Vermont	\$0.44	5%

(1) The tax rate for NY State will be increased to \$1.50 per pack on April 3, 2002.

OLR Bill Analysis

sSB 37

AN ACT CONCERNING THE RATES OF STATE CIGARETTE TAXES**SUMMARY:**

This bill increases the cigarette tax from 50 cents to \$1.11 per pack of 20 (25 to 55.5 mills per cigarette), starting April 3, 2002.

On that date, the bill also imposes a 61-cent tax on each pack (30.5 mills on each cigarette) that cigarette dealers and distributors have in their inventories. By May 1, 2002, each dealer and distributor must report to the Department of Revenue Services on the number of cigarettes in inventory at either the close of business or midnight on April 2. The bill makes failure to file the report by the due date grounds for the department to revoke a dealer's or distributor's license.

EFFECTIVE DATE: April 3, 2002 for the new tax rate; upon passage for the tax and reports on cigarettes in inventory.

BACKGROUND***Cigarette Distributors and Dealers***

Cigarette manufacturers, wholesalers, and large-scale cigarette retailers (those who operate five or more retail outlets or 25 or more cigarette vending machines) are licensed as "distributors." All other sellers are considered "dealers."

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 30 Nay 12