



House of Representatives

General Assembly

File No. 886

January Session, 2019

House Bill No. 6655

House of Representatives, May 16, 2019

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE TAX TREATMENT OF TOBACCO PRODUCTS THAT ARE EXPORTED FROM THE STATE.

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

1 Section 1. Section 12-330c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2019*):

3 (a) [(1)] A tax is imposed on all untaxed tobacco products held in
4 this state by any person [. Except as otherwise provided in
5 subdivisions (2) and (3) of this subsection, the tax shall be imposed] at
6 the rate of fifty per cent of the wholesale sales price of such products,
7 [.] except that:

8 [(2)] (1) [Notwithstanding the provisions of subdivision (1) of this
9 subsection, in] In the case of cigars, the tax shall not exceed fifty cents
10 per cigar; [.] and

11 [(3)] (2) The tax shall be imposed on snuff tobacco products, on the
12 net weight as listed by the manufacturer, as follows: Three dollars per

13 ounce of snuff and a proportionate tax at the like rate on all fractional
14 parts of an ounce of snuff.

15 (b) (1) Except as provided in subdivision (2) of this subsection, such
16 tax shall be imposed on the distributor or the unclassified importer at
17 the time the tobacco product is manufactured, purchased, imported,
18 received or acquired in this state.

19 (2) [Cigars] Tobacco products owned by a distributor that are
20 located on the premises of a person who performs fulfillment services
21 in this state for such distributor or on the premises of a warehouse in
22 this state that is owned or leased by the distributor, and (A) are
23 exported from this state shall not be subject to the tax imposed by this
24 chapter, or (B) are shipped, delivered or otherwise transferred to a
25 Connecticut address shall be subject to the tax imposed by this chapter
26 and such tax shall be imposed on the date of such shipment, delivery
27 or transfer and paid with, and reported by such distributor on, the
28 return prescribed under section 12-330d that corresponds to the month
29 such shipment, delivery or transfer occurred. For purposes of this
30 subdivision, "fulfillment services" means services that are performed
31 by a person on the premises of such person on behalf of a distributor
32 and that involve the receipt of orders from such distributor or an agent
33 thereof, which orders are to be filled by the person from an inventory
34 of [cigars] tobacco products that are offered for sale by such
35 distributor, and the shipment of such orders to customers of such
36 distributor.

37 (3) The commissioner may require the person who performs
38 fulfillment services to file a quarterly informational return with the
39 commissioner with respect to [cigars] tobacco products located on the
40 premises of such person, containing such information as the
41 commissioner may prescribe.

42 (c) Such tax shall not be imposed on any tobacco products that (1)
43 are exported from this state, or (2) are not subject to taxation by this
44 state pursuant to any laws of the United States.

45 (d) Any tax imposed under this chapter shall be reduced by fifty per
46 cent for any product the Secretary of the United States Department of
47 Health and Human Services determines to be a modified risk tobacco
48 product pursuant to 21 USC 387k, as amended from time to time.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019</i>	12-330c

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Revenue Serv., Dept.	GF - Revenue Loss	Up to 1 million	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which expands an existing tobacco products tax exemption, results in a one-time General Fund revenue loss of up to \$1 million in FY 20 only.

The bill shifts the timing of payments from when tobacco is received to when it leaves distributors' inventories. It is anticipated that this change would shift payments by up to one month, which would reduce the number of tax payments made in the implementation year.

The Out Years

The fiscal impact of the bill is limited to FY 20 only.

OLR Bill Analysis**HB 6655*****AN ACT CONCERNING THE TAX TREATMENT OF TOBACCO PRODUCTS THAT ARE EXPORTED FROM THE STATE.*****SUMMARY**

This bill extends a tobacco products tax exemption to all tobacco products that are exported from Connecticut, owned by a distributor and located on the premises of (1) a company performing “fulfillment services” for the distributor or (2) a warehouse the distributor owns or leases. Under current law, this exemption applies only to cigars that are exported from Connecticut, owned by a distributor, and located on the premises of a company performing fulfillment services. A company provides “fulfillment services” when it receives orders from a distributor or its agent, fills them with the distributor's inventory stored on its premises, and ships them to the distributor's customers.

State law imposes the tobacco products tax on all non-cigarette tobacco products in the state, including cigars, stogies, snuff, pipe, and chewing tobacco. The tobacco products the bill exempts are subject under current law to the tax at the time they are manufactured, purchased, imported, received, or acquired in the state. By law, exported tobacco products are exempt from the tobacco products tax and any taxes paid on such products may be refunded.

Under the bill, tobacco products owned by distributors are subject to the tax if they are shipped, delivered, or transferred to a Connecticut address, as is the case under existing law for cigars. The tax must be (1) imposed on the date the tobacco products are shipped, delivered, or transferred and (2) reported and paid on the tobacco products tax return corresponding to the month the shipment, delivery, or transfer occurred.

The bill authorizes the revenue services commissioner to require the fulfillment company to file a quarterly informational return for the tobacco products, rather than just cigars, located on the company's premises.

EFFECTIVE DATE: July 1, 2019

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 48 Nay 2 (04/30/2019)