

H.401

Introduced by Representatives Till of Jericho, Frank of Underhill, Cheney of
Norwich, Clarkson of Woodstock, Conquest of Newbury, Evans
of Essex, French of Shrewsbury, French of Randolph, Head of
South Burlington, Jerman of Essex, Jewett of Ripton, Kitzmiller
of Montpelier, Lanpher of Vergennes, Lenex of Shelburne,
Lorber of Burlington, Malcolm of Pawlet, Manwaring of
Wilmington, Masland of Thetford, Miller of Shaftsbury, Minter
of Waterbury, Mrowicki of Putney, Nuovo of Middlebury,
Pellett of Chester, Potter of Clarendon, Ram of Burlington,
Smith of Mendon, South of St. Johnsbury, Taylor of Barre City,
Waite-Simpson of Essex, Webb of Shelburne, Weston of
Burlington, Wilson of Manchester and Wizowaty of Burlington

Referred to Committee on

Date:

Subject: Taxation; cigarettes and tobacco products; stamp tax; rate of tax;
increase

Statement of purpose: This bill proposes to raise the cigarette and tobacco
products tax.

1 An act relating to an increase in the tax rate for cigarettes, little cigars,
2 roll-your-own tobacco, and tobacco products

3 It is hereby enacted by the General Assembly of the State of Vermont:

4 Sec. 1. LEGISLATIVE INTENT AND PURPOSE

5 (a) The Vermont legislature finds, according to the Campaign for
6 Tobacco-Free Kids, a national nonprofit organization working to prevent
7 children from smoking, help smokers quit, and protect everyone from
8 secondhand smoke, that:

9 (1) Tax increases of less than roughly \$0.20 per pack or 10 percent of
10 the average state pack price do not produce significant public health benefits or
11 cost savings because the cigarette companies can easily offset the beneficial
12 impact of such small increases with temporary price cuts, coupons, and other
13 promotional discounting.

14 (2) Splitting a tax rate increase into separate, smaller increases in
15 successive years similarly diminishes or eliminates the public health benefits
16 and related cost savings.

17 (3) Each 10 percent cigarette price increase reduces youth smoking rates
18 by 6.5 percent, adult rates by two percent, and total consumption by four
19 percent.

20 (b) Accordingly, it is the purpose of this act to increase the rates of tax on
21 cigarettes and tobacco products by 50 percent.

1 Sec. 2. 32 V.S.A. § 7771(c) is amended to read:

2 (c) The tax imposed under this section shall be at the rate of ~~89.5~~ 200 mills
3 per cigarette or little cigar and for each 0.09 ounces of roll-your-own tobacco.

4 The interest and penalty provisions of section 3202 of this title shall apply to
5 liabilities under this section.

6 Sec. 3. 32 V.S.A. § 7814 is amended to read:

7 § 7814. FLOOR STOCK TAX

8 (a) Snuff. A floor stock tax is hereby imposed upon every retailer of snuff
9 in this state in the amount by which the new tax exceeds the amount of the tax
10 already paid on the snuff. The tax shall apply to snuff in the possession or
11 control of the retailer at 12:01 a.m. o'clock on ~~July 1, 2006~~ the 60th day
12 following enactment of this act, but shall not apply to retailers who hold less
13 than \$500.00 in wholesale value of such snuff. Each retailer subject to the tax
14 shall, on or before ~~July 25, 2006~~ the 90th day following enactment of this act
15 file a report to the commissioner in such form as the commissioner may
16 prescribe showing the snuff on hand at 12:01 a.m. o'clock on ~~July 1, 2006~~ the
17 60th day following enactment of this act, and the amount of tax due thereon.

18 The tax imposed by this section shall be due and payable on or before ~~August~~
19 ~~25, 2006~~ the 90th day following enactment of this act, and thereafter shall bear
20 interest at the rate established under section 3108 of this title. In case of timely
21 payment of the tax, the retailer may deduct from the tax due two percent of the

1 tax. Any snuff with respect to which a floor stock tax has been imposed and
2 paid under this section shall not again be subject to tax under section 7811 of
3 this title.

4 (b) Cigarettes, little cigars, or roll-your-own tobacco. Notwithstanding the
5 prohibition against further tax on stamped cigarettes, little cigars, or
6 roll-your-own tobacco under section 7771 of this title, a floor stock tax is
7 hereby imposed upon every dealer of cigarettes, little cigars, or roll-your-own
8 tobacco in this state who is either a wholesaler, or a retailer who at 12:01 a.m.
9 ~~o'clock on July 1, 2006~~ the 60th day following enactment of this act, has more
10 than 10,000 cigarettes or little cigars or who has \$500.00 or more of wholesale
11 value of roll-your-own tobacco, for retail sale in his or her possession or
12 control. The amount of the tax shall be the amount by which the new tax
13 exceeds the amount of the tax already paid for each cigarette, little cigar, or
14 roll-your-own tobacco in the possession or control of the wholesaler or retailer
15 at 12:01 a.m. ~~o'clock on July 1, 2006~~ the 60th day following enactment of this
16 act, and on which cigarette stamps have been affixed before ~~July 1, 2006~~ the
17 60th day following enactment of this act. A floor stock tax is also imposed on
18 each Vermont cigarette stamp in the possession or control of the wholesaler at
19 12:01 a.m. ~~o'clock on July 1, 2006~~ the 60th day following enactment of this
20 act, and not yet affixed to a cigarette package, and the tax shall be at the rate of
21 ~~\$0.60~~ \$0.21 per stamp. Each wholesaler and retailer subject to the tax shall, on

1 or before ~~July 25, 2006~~ the 90th day following enactment of this act, file a
2 report to the commissioner in such form as the commissioner may prescribe
3 showing the cigarettes, little cigars, or roll-your-own tobacco and stamps on
4 hand at 12:01 a.m. ~~o'clock on July 1, 2006~~ the 60th day following enactment
5 of this act, and the amount of tax due thereon. The tax imposed by this section
6 shall be due and payable on or before ~~August 25, 2006~~ the 120th day following
7 enactment of this act, and thereafter shall bear interest at the rate established
8 under section 3108 of this title. In case of timely payment of the tax, the
9 wholesaler or retailer may deduct from the tax due two and three-tenths of one
10 percent of the tax. Any cigarettes, little cigars, or roll-your-own tobacco with
11 respect to which a floor stock tax has been imposed under this section shall not
12 again be subject to tax under section 7771 of this title.

13 Sec. 4. 32 V.S.A § 7811 is amended to read:

14 § 7811. IMPOSITION OF TOBACCO PRODUCTS TAX

15 There is hereby imposed and shall be paid a tax on all tobacco products
16 except roll-your-own tobacco and little cigars taxed under section 7771 of this
17 title possessed in the state of Vermont by any person for sale on and after
18 July 1, 1959 which were imported into the state or manufactured in the state
19 after said date, except that no tax shall be imposed on tobacco products sold
20 under such circumstances that this state is without power to impose such tax,
21 or sold to the United States, or sold to or by a voluntary unincorporated

1 organization of the armed forces of the United States operating a place for the
2 sale of goods pursuant to regulations promulgated by the appropriate executive
3 agency of the United States. Such tax on tobacco products shall be at the rate
4 of ~~41~~ 61 percent of the wholesale price for all tobacco products except snuff
5 which shall be taxed at the rate of ~~\$1.49~~ \$2.24 per ounce, or fractional part
6 thereof, and is intended to be imposed only once upon any tobacco product.

7 Provided, however, that upon payment of the tax within 10 days, the distributor
8 or dealer may deduct from the tax two percent of the tax due. It shall be
9 presumed that all tobacco products within the state are subject to tax until the
10 contrary is established and the burden of proof that any tobacco products are
11 not taxable hereunder shall be upon the person in possession thereof.

12 Wholesalers of tobacco products shall state on the invoice whether the price
13 includes the Vermont tobacco products tax.

14 Sec. 5. 32 V.S.A. § 7823 is amended to read:

15 § 7823. DEPOSIT OF REVENUE

16 The revenue generating by the taxes imposed under this chapter shall be
17 credited as follows:

18 (1) two-thirds to the state health care resources fund established by
19 section 1901d of Title 33; and

20 (2) one-third to the Catamount fund established by section 1986 of
21 Title 33.

1 Sec. 6. EFFECTIVE DATE

2 This act shall take effect upon passage.