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SENATE BILL NO. 1038

Offered January 12, 2005

Prefiled January 12, 2005

A *BILL to amend and reenact §§ 32.1-324.3, 32.1-366, 58.1-1001, and 58.1-1018 of the Code of Virginia, relating to the distribution of state cigarette tax revenues.*

Patron—Ruff

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 32.1-324.3, 32.1-366, 58.1-1001, and 58.1-1018 of the Code of Virginia are amended and reenacted as follows:

§ 32.1-324.3. Uninsured Medical Catastrophe Fund established.

A. There is hereby created in the state treasury a special nonreverting fund to be known as the Uninsured Medical Catastrophe Fund, hereafter referred to as "the Fund." The Fund shall be established on the books of the Comptroller. *The Fund shall consist of the deposits to the Fund as required under §§ 58.1-1001 and 58.1-1018. ~~All~~In addition, all* contributions from income tax refunds and any other source shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund.

B. Moneys in the Fund shall be used solely for the purposes of providing a source of payment for medical treatment of uninsured medical catastrophes. An uninsured medical catastrophe shall include a life-threatening illness or injury requiring specialized medical treatment, hospitalization, or both. The Board shall promulgate regulations that (i) further define an uninsured medical catastrophe, (ii) establish procedures for distribution of moneys in the Fund to pay for the costs of treating uninsured medical catastrophes, (iii) establish application procedures, and (iv) establish criteria for eligibility for assistance from the Fund and the prioritization and allocation of available moneys among applicants for assistance from the Fund.

C. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Director of Medical Assistance Services.

§ 32.1-366. Virginia Health Care Fund established.

A. There is hereby created in the state treasury a special nonreverting fund to be known as the Virginia Health Care Fund, hereafter referred to as the "Fund." The Fund shall be established on the books of the Comptroller and any moneys remaining in the Fund at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. For purposes of the Comptroller's preliminary and final annual reports required by § 2.2-813, however, all deposits to and disbursements from the Fund shall be accounted for as part of the general fund of the state treasury.

B. ~~All~~An amount equivalent to (i) *twenty-nine-thirtieths* of the net revenue received by the Commonwealth pursuant to the provisions of §§ 58.1-1001 and 58.1-1018, and (ii) *all of the revenue received by the Commonwealth pursuant to* Article 2.1 (§ 58.1-1021.01 et seq.) of Chapter 10 of Title 58.1 shall be paid into the state treasury and deposited to the Fund. The Comptroller shall also deposit 40 percent of the Commonwealth's allocation pursuant to the Master Settlement Agreement with tobacco product manufacturers, as defined in § 3.1-1106, to the Fund. The Fund shall also consist of all recoveries received during a fiscal year resulting from expenditures incurred in the Medicaid program during a prior fiscal year or years to the extent that such amounts represent recoveries of state funds that would otherwise be deposited to the general fund of the state treasury.

§ 58.1-1001. Tax levied; rate.

In addition to all other taxes now imposed by law, every person within this Commonwealth who sells, stores or receives cigarettes made of tobacco or any substitute thereof, for the purpose of distribution to any person within this Commonwealth, shall pay to this Commonwealth an excise tax of one and one-quarter mills on each such cigarette sold, stored or received before August 1, 2004; an excise tax of one cent on each such cigarette sold, stored or received on and after August 1, 2004, through midnight on June 30, 2005; and an excise tax of 1.5 cents on each such cigarette sold, stored or received on and after July 1, 2005.

The revenues generated by the tax imposed under this section on and after August 1, 2004, shall be collected by the Department and deposited into the Virginia Health Care Fund established under ~~§ 32.1-366~~ distributed as follows:

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59 1. *An amount equivalent to twenty-nine thirtieths of the net revenue generated from the tax shall be*
60 *deposited into the Virginia Health Care Fund established under § 32.1-366; and*

61 2. *An amount equivalent to one-thirtieth of the net revenue generated from the tax shall be deposited*
62 *into the Uninsured Medical Catastrophe Fund established under § 32.1-324.3.*

63 § 58.1-1018. Tax imposed on storage, use or consumption of cigarettes; exemption of products on
64 which sales tax has been paid.

65 An excise tax is hereby imposed on the storage, use or other consumption in this Commonwealth of
66 cigarettes purchased at retail in an amount equal to that set out in § 58.1-1001. Every person storing,
67 using or otherwise consuming in this Commonwealth cigarettes purchased at retail shall be liable for the
68 tax imposed by this article, and the liability shall not be extinguished until the tax has been paid to this
69 Commonwealth; however, if such cigarettes have attached thereto the requisite stamps or if the excise
70 tax imposed by Article 1 (§ 58.1-1000 et seq.) has been paid by the seller of such cigarettes, then the
71 tax imposed by this article shall not be due.

72 The revenues generated by the tax imposed under this section on and after August 1, 2004, shall be
73 collected by the Department and ~~deposited into the Virginia Health Care Fund established under~~
74 ~~§ 32.1-366~~ distributed as follows:

75 1. *An amount equivalent to twenty-nine thirtieths of the net revenue generated from the tax shall be*
76 *deposited into the Virginia Health Care Fund established under § 32.1-366; and*

77 2. *An amount equivalent to one-thirtieth of the net revenue generated from the tax shall be deposited*
78 *into the Uninsured Medical Catastrophe Fund established under § 32.1-324.3.*