

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Frank M. Ruff

2. **Bill Number** SB 1038

3. **Committee** Senate Finance

House of Origin:

X **Introduced**

 Substitute

 Engrossed

4. **Title** Cigarette Tax; Distribution of Revenues
To Uninsured Medical Catastrophe Fund

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that one cent per pack of the cigarette tax shall be deposited into the Uninsured Medical Catastrophe Fund.

Under current law, all of the revenue from the state cigarette tax is deposited into the Virginia Health Care Fund.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no effect on General Fund revenues. It is estimated that this bill would increase the Uninsured Medical Catastrophe Fund by \$6.3 million in Fiscal Year 2006, \$6.3 million in Fiscal Year 2007 and \$6.2 million in Fiscal Year 2008 and fiscal years thereafter, with a corresponding decrease each year in the Virginia Health Care Fund. The Department of Taxation would incur minimal costs to implement this bill.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The state cigarette tax is currently 20 cents per pack. It will increase to 30 cents per pack on July 1, 2005. The cigarette tax is paid by stamping agents when they purchase revenue stamps from the Department to affix to packs of cigarettes. A discount equal to 2.5 cents for a ten-pack carton of cigarettes is available to stamping agents.

Under current law, all of the revenue from the state cigarette and tobacco products taxes and 40% of Virginia's allocations from the Master Settlement Agreement are deposited into the Virginia Health Care Fund. Moneys deposited to the fund are used solely for the provision of health care services as appropriated in the state budget. Health care services include, but are not limited to, Medicaid payments, disease diagnosis, prevention and control and community health services.

The Uninsured Medical Catastrophe Fund is currently funded from contributions from income tax refunds and other sources. Moneys in the fund are used solely for the purposes of providing a source of payment for medical treatment of uninsured medical catastrophes.

Proposal

This bill would provide that one cent per pack of the cigarette tax shall be deposited into the Uninsured Medical Catastrophe Fund.

Other Bills

House Bill 2035 and **Senate Bill 1204** would impose an excise tax on cigarette manufacturers at the rate of 2 cents for every cigarette sold in Virginia.

House Bill 2392 would authorize all counties to impose a local cigarette tax at a rate not to exceed 50 cents per pack.

House Bill 2625 would increase the cigarette tax dealers discount from 2.5 cents per carton to 2 percent of the price of the cigarette stamps.

House Joint Resolution 664 would require the Department of Taxation study the feasibility of establishing uniformity and consistency among Virginia's localities in the design and use of tax stamps for local cigarette taxes.

Senate Bill 478 would amend Roanoke County's charter to authorize the imposition of a local cigarette tax at a rate not to exceed 15 cents per pack of twenty cigarettes.

Senate Bill 876 would change the cigarette tax laws to provide consistency with the non-participating manufacturer reporting requirements and to enhance compliance and administration.

Senate Bill 1137 would allow counties to impose a local cigarette tax at the state cigarette tax rate.

cc : Secretary of Finance

Date: 1/23/2005 JEM