

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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SENATE DRS15170-LYx-45 (2/27)

Short Title: Raise Cigarette Tax for Medicaid.

(Public)

Sponsors: Senator Clodfelter.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO RAISE THE EXCISE TAX ON CIGARETTES AND TO PHASE OUT
THE COUNTY SHARE OF MEDICAID COSTS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-113.5 reads as rewritten:

"§ 105-113.5. **Tax on cigarettes.**

A tax is levied on the sale or possession for sale in this State, by a distributor, of all cigarettes at the rate of ~~two and one-half mills~~ three cents (3¢) per individual cigarette.

This tax does not apply to any of the following:

- (1) Sample cigarettes distributed without charge in packages containing five or fewer cigarettes.
- (2) Cigarettes in a package of cigarettes given without charge by the manufacturer of the cigarettes to an employee of the manufacturer who works in a factory where cigarettes are made, if the cigarettes are not taxed by the federal government."

SECTION 2. Notwithstanding any other provision of law to the contrary, effective July 1, 2003, the State shall pay one hundred percent (100%) of the nonfederal share of nonadministrative costs under the Medical Assistance Program for all counties that were designated as enterprise tier one or two for 2003. Effective July 1, 2004, the State shall pay one hundred percent (100%) of the nonfederal share of nonadministrative costs under the Medical Assistance Program for all counties that were designated as enterprise tier one, two, or three for 2003. Effective July 1, 2005, the State shall pay one hundred percent (100%) of the nonfederal share of nonadministrative costs under the Medical Assistance Program for all counties. For the purposes of this section, "enterprise tier" has the same meaning as under G.S. 105-129.2.

SECTION 3. Effective July 1, 2005, G.S. 108A-54 reads as rewritten:

"§ 108A-54. **Authorization of Medical Assistance Program.**

1 The Department is authorized and empowered to establish a Medical Assistance
2 Program from ~~federal, State and county~~ federal and State appropriations and to adopt
3 rules and regulations under which payments are to be made in accordance with the
4 provisions of this Part. ~~The nonfederal share may be divided between the State and the~~
5 ~~counties, in a manner consistent with the provisions of the federal Social Security Act,~~
6 ~~except that the share required from the counties may not exceed the share required from~~
7 ~~the state. If a portion of the nonfederal share is required from the counties, the boards of~~
8 ~~county commissioners of the several counties shall levy, impose and collect the taxes~~
9 ~~required for the special purpose of medical assistance as provided in this Part, in an~~
10 ~~amount sufficient to cover each county's share of such assistance."~~

11 **SECTION 4.** Except as otherwise provided, this act becomes effective
12 July 1, 2003.