

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE DRS15162-LYx-11 (1/9)

Short Title: Raise Cigarette Tax.

(Public)

Sponsors: Senator Reeves.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO RAISE THE EXCISE TAX ON CIGARETTES TO PROVIDE FOR A
PRESCRIPTION DRUG BENEFIT FOR SENIORS AND TO REDUCE CLASS
SIZES.

The General Assembly of North Carolina enacts:

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

"§ 105-113.5. **Tax on cigarettes.**

(a) 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 mill~~one-quarter cents (2.25¢) 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.

(b) The Secretary shall, on a quarterly basis, credit to the Trust Fund for Public Schools created under G.S. 143-15.3E and to the Health and Wellness Trust Fund created under G.S. 147-86.30 the estimated amount of net proceeds of the tax levied under this section during the previous quarter attributable to the additional two-cent (2¢) increase in the tax rate enacted in 2003. Thirty-five percent (35%) of the amount credited under this subsection shall be credited to the Trust Fund for Public Schools. The remaining amount credited under this section shall be credited to the Health and Wellness Trust Fund. The amount credited to the Health and Wellness Trust Fund under this section may be used for a prescription drug benefit for low-income, elderly residents only."

1 **SECTION 2.** Part 2 of Article 2A of Chapter 143 of the General Statutes is
2 amended by adding a new section to read:

3 **"§ 143-15.3E. Trust Fund for Public Schools.**

4 The Trust Fund for Public Schools is established as an interest-bearing, nonreverting
5 special trust account in the Office of State Budget and Management. Moneys in the
6 Trust Fund shall be held in trust and used solely to meet the public school needs of the
7 State. The Trust Fund shall be used to supplement and not to supplant existing State and
8 local funding for public schools.

9 The State Treasurer shall hold the Trust Fund separate and apart from all other
10 moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust
11 Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3.
12 Investment earnings credited to the assets of the Trust Fund shall become part of the
13 Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall
14 be carried forward in the Trust Fund for the next succeeding fiscal year. Moneys in the
15 Trust Fund shall be expended only to reduce class size in the public schools in
16 kindergarten through third grade. Moneys in the Trust Fund for Public Schools shall not
17 be expended until appropriated by the General Assembly."

18 **SECTION 3.** This act becomes effective January 1, 2004.