

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 338

Short Title: Tobacco Products Tax Increase. (Public)

Sponsors: Senator Purcell.

Referred to: Rules and Operations of the Senate.

March 15, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO PROTECT HEALTH AND TO PREVENT DEATH, DISABILITY, AND
3 DISEASE AMONG NORTH CAROLINA RESIDENTS BY INCREASING THE TAX
4 ON TOBACCO PRODUCTS.

5 Whereas, the use of tobacco products is the leading cause of preventable death and
6 disability in North Carolina; and

7 Whereas, nearly 10,400 North Carolina children will become regular, daily smokers
8 this year; and

9 Whereas, the best way to prevent and reduce tobacco use by children is to
10 substantially increase the cost of cigarettes; and

11 Whereas, a cigarette tax increase of \$1.00 would result in a 15.4% decrease in youth
12 smoking rates, prevent 81,200 North Carolina children from becoming addicted adult smokers,
13 and save 39,100 young people from premature smoking-related deaths; and

14 Whereas, North Carolina's cigarette tax is currently \$0.45, the seventh lowest in the
15 nation, and the current average cigarette tax among all states is \$1.45; and

16 Whereas, in contrast to North Carolina's low cigarette tax is the fact that for every
17 pack sold in North Carolina, it costs North Carolina taxpayers \$7.17 per pack in health care
18 costs to treat the serious chronic diseases brought on by cigarette smoking; and

19 Whereas, the use of tobacco products costs the State \$2.46 billion in direct health
20 care costs, \$769 million of which is in Medicaid expenses alone, and \$3.3 billion in lost
21 productivity annually; and

22 Whereas, these deficits risk cuts to important programs affecting the health and
23 well-being of North Carolinians and more reductions may be threatened; and

24 Whereas, an increase in the cigarette tax of \$1.00 would generate an estimated
25 additional \$272.5 million in new revenue in the first year; Now, therefore,
26 The General Assembly of North Carolina enacts:

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

28 **"§ 105-113.5. Tax on cigarettes.**

29 A tax is levied on the sale or possession for sale in this State, by a distributor, of all
30 cigarettes at the rate of ~~two-seven and one-fourth cents (2.25¢)~~ (7.25¢) per individual cigarette."

31 **SECTION 2.** G.S. 105-113.35 reads as rewritten:

32 **"§ 105-113.35. Tax on tobacco products other than cigarettes.**

33 (a) Tax. – An excise tax is levied on tobacco products other than cigarettes at the rate of
34 ~~twelve and eight-tenths percent (12.8%)~~ forty-one and one-quarter percent (41.25%) of the cost
35 price of the products. This tax does not apply to the following:

- 36 (1) A tobacco product sold outside the State.
37 (2) A tobacco product sold to the federal government.



1 (3) A sample tobacco product distributed without charge."

2 **SECTION 3.** G.S. 105-113.40A reads as rewritten:

3 "**§ 105-113.40A. Use of tax proceeds.**

4 The Secretary must credit the net proceeds of the tax collected under this Part as follows:

5 (1) An amount equal to ~~three percent (3%)~~ nine and eight-tenths percent (9.8%)
6 of the cost price of the products to the ~~General Fund~~ University Cancer
7 Research Fund established under G.S. 116-29.1.

8 (2) The remainder to the ~~University Cancer Research Fund established under~~
9 ~~G.S. 116-29.1.~~ General Fund."

10 **SECTION 4.** This act becomes effective January 1, 2012.