

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Finance and Tax Committee

BILL: SB 2438

INTRODUCER: Senator Altman

SUBJECT: Taxes on Cigarettes and Other Tobacco Products

DATE: March 26, 2009

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fournier	McKee	FT	<b>Pre-meeting</b>
2.			WPSC	
3.			RC	
4.				
5.				
6.				

**I. Summary:**

This is a shell bill expressing the intent of the Legislature to revise laws relating to taxes on cigarettes and other tobacco products.

**II. Present Situation:**

Tobacco use in Florida has been linked to higher health care costs, lost productivity in the workforce and premature death. Smoking-caused health costs are estimated at \$6.32 billion annually and productivity losses are even higher. The state of Florida bears over \$700 million of the health care costs attributable to smoking through its yearly share of Medicaid and other state health expenditures. Total annual smoking-related Medicaid costs in the state are \$1.25 billion. Nineteen and three-tenths of the adults in Florida smoke and 28,600 adults die every year of smoking-related illnesses. Second-hand smoke kills 2,960 adults every year, and 692,000 children are exposed to secondhand smoke in their homes.

Florida taxes cigarettes and other tobacco products. Cigarettes are taxed in Florida at a rate of 33.9 cents per pack of 20 standard cigarettes, and the rate varies proportionately for non-standard cigarettes or packs. These taxes must be paid by the wholesale dealer at the time of the first sale within the state, and 7.3 percent of total collections is paid to the General Revenue Fund as Service Charge. Nine-tenths of one percent is paid to the Alcoholic Beverage and Tobacco TF, and the remaining revenue is distributed:

2.9 percent to County Revenue Sharing

29.3 percent to the Public Medical Assistance TF

1.47 percent, or \$5.6 million, whichever is greater, to the H. Lee Moffitt Cancer Center (through FY 2015-16)

The remainder is paid to the General Revenue Fund. Other tobacco products except cigars are taxed at 25 percent of their wholesale cost, and the proceeds are paid to the General Revenue Fund.

Total cigarette tax collections for FY 2007-08 were \$411.9 million. The current forecast for FY 2008-09 is \$405.0 million. The tax on other tobacco products generated \$31.8 million in FY 2007-08 and is expected to yield \$30.5 million in FY 2008-09.

Florida began taxing cigarettes in 1943. The tax rate was increased in 1949, 1963, 1971, 1977, 1986, and, most recently in 1990. Other tobacco products were first taxed in 1985. Tobacco products are subject to federal and state taxes, and some states provide for local taxes. The average cigarette tax rate for all states, including the District of Columbia, is \$1.19 per pack, ranging from 7 cents per pack in South Carolina to \$2.75 per pack in New York. Cigarette tax rates in South Carolina, Mississippi, Missouri, and Virginia are lower than in Florida. Many states have increased cigarette taxes in recent years; Florida, California, Mississippi, Missouri, North Dakota, and South Carolina are the only states that have not raised their cigarette tax rates in the past 10 years. Federal tobacco taxes are being raised on April 1, 2009, to provide additional funding for the Children's Health Insurance Program. The cigarette tax is increasing from 39 cents per pack to \$1.01 per pack, and other tobacco product taxes are increasing by varying amounts.

Cigarette and other tobacco products taxes are administered, collected, and enforced under ch. 210, F.S., by the Department of Business and Professional Regulation. The tax on cigarettes must be paid by the wholesale dealer at the time of the first sale within the state, and it is paid by affixing a stamp to each package of cigarettes. Tax evasion, which is evidenced by possessing fewer than 50 cartons of cigarettes that have not been stamped, is a first degree misdemeanor for the first offense. After one conviction, a subsequent offense is a third degree felony, as is a first conviction for more than 50 cartons. In addition to these penalties, anyone in possession of unstamped cigarettes is liable for the tax imposed on the cigarettes, and anyone who knowingly fails to comply with the legal requirements is subject to a fine of \$1,000 or 5 times the retail value of the product involved, whichever is greater. Creating counterfeit stamps, with intent to defraud the state, is a third degree felony

### **III. Effect of Proposed Changes:**

This bill expresses the Legislature's intention to revise laws relating to taxes on cigarettes and other tobacco products.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

C. Government Sector Impact:

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.