



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5221 (as reported without amendment)
Sponsor: Representative Lorence Wenke
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Tobacco Products Tax Act to do the following:

- Require a nonparticipating manufacturer of cigarettes to pay an equity assessment of 17.5 mills per cigarette (35 cents per pack of 20) on all cigarettes it sold in the State; and provide that the purpose of the assessment would be to fund enforcement and administration of the Act and Public Act 244 of 1999 (which adopted the model Tobacco Master Settlement Agreement).
- Require a nonparticipating manufacturer (NPM) to prepay the equity assessment before March 1 each year, in an amount based upon the number of cigarettes that the Department of Treasury determined the NPM would sell in the calendar year or \$10,000, whichever was greater.
- Prohibit a stamping agent from affixing the stamp required under the Act to any package of cigarettes or container of roll-your-own tobacco of an NPM, unless the NPM was listed on the Department's website or after receiving notice that an NPM had not prepaid or paid in full its equity assessment.
- Allow the Department to confiscate cigarettes stamped in violation of the bill, or acquired by a person from an NPM that was in violation of the bill.
- Require the Department to maintain a website listing NPMs that complied with the bill.

(An NPM is a cigarette manufacturer that does not participate in the Tobacco Master Settlement Agreement reached between 46 states' attorneys general and the five major tobacco companies.)

Proposed MCL 205.426d

Legislative Analyst: George Towne

FISCAL IMPACT

This bill would generate an estimated \$2.6 million in FY 2003-04 from the proposed equity assessment on the cigarettes sold by nonparticipating cigarette manufacturers. The equity assessment would equal 17.5 mills per cigarette, which equates to 35 cents per pack of 20 cigarettes. Assuming the cost of this assessment would be added to the price charged for the cigarettes, this new assessment also would generate about \$0.2 million in sales tax revenue. The bill would have no fiscal impact on local governments.

Date Completed: 12-10-03

Fiscal Analyst: Jay Wortley