

Legislative Analysis



OTHER TOBACCO PRODUCTS

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House Bill 5355 (Proposed H-9 Substitute)

Sponsor: Rep. George Cushingberry, Jr.

Committee: Tax Policy

Complete to 10-7-09

A SUMMARY OF HOUSE BILL 5355 (Proposed H-9 Substitute)

House Bill 5355 (H-9) would amend the Tobacco Products Tax Act to change the taxation of other tobacco products effective October 1, 2009. Specifically, the bill would exempt little cigars and moist snuff from the current tax of 32% of the wholesale price and would instead impose a tax equivalent to the tax on cigarettes (10 cents per cigarette or little cigar) to little cigars and a \$1.28 per package or can of moist snuff. Also, the bill would double the tax rate on other tobacco, except for cigars, little cigars and moist snuff, to 64% of the wholesale price. This bill includes imposing the new tax structure on the inventories of all other tobacco products.

The intent of the bill is to earmark all new net revenue to the Michigan Future Fund. The Michigan Future Fund shall be appropriated to only revenue sharing, promise grants, state aid to libraries, payments in lieu of taxes, and aid to school districts. This new fund would be created by House Bill 5355 by adding a new Section 12a to the act.

MCL 205.422 et al.

FISCAL IMPACT:

This bill would increase the tobacco products tax by an estimated \$43 million on a full year basis. If the tax changes in this bill were to start November 1, 2009, then the FY 2009-10 estimated impact would be an increase in revenue of \$39.4 million. The intent of the bill is to earmark all new net revenue to the Michigan Future Fund.

Fiscal Analyst: Rebecca Ross

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