An Act To Prevent and Reduce Tobacco Use with Adequate Funding and by Raising the Tax on Tobacco Products

Reference to the Committee on Taxation suggested and ordered printed.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §4365, as amended by PL 2005, c. 457, Pt. AA, §1 and affected by §8, is further amended to read:

§4365. Rate of tax

A tax is imposed on all cigarettes imported into this State or held in this State by any person for sale at the rate of 175 mills for each cigarette. Payment of the tax is evidenced by the affixing of stamps to the packages containing the cigarettes.

Sec. 2. 36 MRSA §4365-F, as enacted by PL 2005, c. 457, Pt. AA, §3 and affected by §8, is repealed.

Sec. 3. 36 MRSA §4365-G is enacted to read:

§4365-G. Application of cigarette tax rate increase effective November 1, 2019

The following provisions apply to cigarettes held for resale on November 1, 2019.

1. Stamped rate. Cigarettes stamped at the rate of 100 mills per cigarette and held for resale after October 31, 2019 are subject to tax at the rate of 175 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 175 mills per cigarette and the tax rate of 100 mills per cigarette in effect before November 1, 2019. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of November 1, 2019, except that cigarettes held in vending machines as of that date do not require that stamp.

3. Vending machines. Notwithstanding any other provision of this chapter, it is presumed that all cigarette vending machines are filled to capacity on November 1, 2019, and the tax imposed by this section must be reported on that basis. A credit against this inventory tax must be allowed for cigarettes stamped at the rate of 175 mills per cigarette placed in vending machines before November 1, 2019.

4. Payment. Payment of the tax imposed by this section must be made to the assessor by January 1, 2020, accompanied by forms prescribed by the assessor.

Sec. 4. 36 MRSA §4366-A, sub-§2, ¶D, as amended by PL 2007, c. 438, §93, is further amended to read:

D. For stamps at the face value of 175 mills, the discount rate is 0.65%.

Sec. 5. 36 MRSA §4401, sub-§9, as amended by PL 2005, c. 627, §4, is repealed and the following enacted in its place:

9. Tobacco product. "Tobacco product" has the same meaning as in Title 22, section 1551, subsection 3 but does not include products that are subject to the tax under chapter 703.
Sec. 6. 36 MRSA §4403, sub-§1, as repealed and replaced by PL 2009, c. 213, Pt. H, §1 and affected by §3, is repealed.

Sec. 7. 36 MRSA §4403, sub-§2, as amended by PL 2005, c. 627, §8, is further amended to read:

2. Tobacco products. A tax is imposed on cigars, pipe tobacco and other tobacco intended for smoking products at the rate of 20%, subject to adjustment under subsection 5, of the wholesale sales price beginning October 1, 2005, November 1, 2019.

Sec. 8. 36 MRSA §4403, sub-§5 is enacted to read:

5. Equivalence. If the tax on cigarettes under chapter 703 is increased after November 1, 2019, the assessor shall calculate a rate of tax on other tobacco products under subsection 2 that is equivalent to the same percentage change in the tax rate for one cigarette. The adjusted rates calculated by the assessor take effect at the same time as the increase in the tax on cigarettes.

Sec. 9. Appropriations and allocations. The following appropriations and allocations are made.

ATTORNEY GENERAL, DEPARTMENT OF THE

Human Services Division 0696

Initiative: Appropriates funds for tobacco enforcement activities.

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<th>GENERAL FUND</th>
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<td>All Other</td>
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<td>GENERAL FUND TOTAL</td>
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ATTORNEY GENERAL, DEPARTMENT OF THE

DEPARTMENT TOTALS 2019-20 2020-21

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<th>GENERAL FUND</th>
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<td>$250,000</td>
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DEPARTMENT TOTAL - ALL FUNDS $250,000 $250,000

HEALTH AND HUMAN SERVICES, DEPARTMENT OF

Maine Center for Disease Control and Prevention 0143

Initiative: Appropriates funds for tobacco use prevention and cessation.
Medical Care - Payments to Providers 0147

Initiative: Appropriates funds for tobacco use cessation medications and counseling provided to MaineCare members.

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Sec. 10. Effective date. Those sections of this Act that amend the Maine Revised Statutes, Title 36, section 4365, section 4366-A, subsection 2, paragraph D and section 4403, subsection 2; that repeal Title 36, section 4365-F and section 4403, subsection 1; that enact Title 36, section 4365-G and section 4403, subsection 5; and that repeal and replace Title 36, section 4401, subsection 9 take effect November 1, 2019.

SUMMARY

This bill increases the cigarette tax from $2.00 to $3.50 per pack of 20 cigarettes and increases the tax on all other tobacco products including electronic cigarettes to 81% of the wholesale sales price, beginning November 1, 2019. The bill provides that, if the tax on cigarettes is increased on or after November 1, 2019, the tax on all other tobacco products will be adjusted by a rate that is equivalent to the percentage change in the tax rate for one cigarette. The bill provides ongoing funding, $11,100,000 per year, to the
Department of Health and Human Services, Maine Center for Disease Control and Prevention for tobacco use prevention and cessation in order to align with the United States Department of Health and Human Services, Centers for Disease Control and Prevention recommendations. The bill also provides $1,000,000 in fiscal year 2019-20 and $750,000 thereafter for MaineCare members for tobacco use cessation medications and counseling. Finally, the bill provides $250,000 per year in ongoing funding to the Attorney General's office for increased tobacco enforcement activities.