

Legislative Analysis



CAP TAX ON CIGARS

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Senate Bill 1004 as passed the Senate
Sponsor: Sen. Arlan Meekhof
House Committee: Commerce
Senate Committee: Finance

Complete to 7-17-12

A SUMMARY OF SENATE BILL 1004 AS PASSED BY THE SENATE 6-14-12

The bill would amend the Tobacco Products Tax Act (MCL 205.427 & 205.431) to do the following:

- Limit the tax on cigars to 50 cents per cigar.
- Require retailers to post signs regarding the obligation to pay taxes on cigars purchased through catalog or internet sales.

Currently, the tax on cigars, non-cigarette smoking tobacco, and smokeless tobacco is 32 percent of the wholesale price. The bill states that, beginning October 1, 2012, the amount of tax levied on cigars under this provision could not exceed 50 cents per individual cigar.

Further, beginning October 1, 2012, the bill would require a retailer who is licensed as an unclassified acquirer, or retail importer of tobacco products other than cigarettes, to post a sign that informs purchasers of cigars through catalog sales or internet sales of their responsibility to pay all applicable unpaid state taxes on those cigars. The sign would have to be visible to the public inside the retail establishment.

FISCAL IMPACT:

This bill would reduce tobacco tax revenue by a minimal amount. This revenue reduction would affect General Fund/General Purpose and the Medicaid Benefits Trust Fund.

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