

Legislative Analysis



TOBACCO PRODUCTS TAX ACT DISTRIBUTION TO THE MICHIGAN STATE CAPITOL HISTORIC SITE FUND

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Senate Bill 678 (Substitute H-1)

Sponsor: Sen. Roger Kahn, M.D.

Committee: Appropriations

Complete to 6-2-14

A SUMMARY OF HOUSE SUBSTITUTE H-1 FOR SENATE BILL 678

Senate Bill 678 (H-1) would amend the Tobacco Products Tax Act to revise the annual distribution of the tax imposed on cigarette sales. Beginning in FY 2014-15, the bill would require \$3.0 million of the cigarette tax collected to be deposited in the Michigan State Capitol Historic Site Fund. For FY 2015-16 and each subsequent year, the State Treasurer would be required to adjust the initial \$3.0 million deposit to reflect the cumulative annual percentage change in the Consumer Price Index.

Under current law, a total of 100 mills (one mill equals one-tenth of one cent) is levied on each cigarette sold which is comprised of the following separately enacted levies: 37.5 mills, 15 mills, 10 mills, and 37.5 mills. Each separate millage levy has a statutorily-defined distribution method. The provisions of Senate Bill 678 (H-1) would revise the distribution of the first 37.5 mills.

The Act distributes the first 37.5 mills as follows:

- 6.5% to the Health and Safety Fund;
- 24.1% to the State General Fund;
- 64.3% to the State School Aid Fund; and
- 6% to the Healthy Michigan Fund.

Senate Bill 678 (H-1) would amend the 24.1% allocation currently distributed to the General Fund. Beginning in FY 2014-15, \$3.0 million of the 24.1% would be allocated to the Michigan State Capitol Historic Site Fund with the remainder to be distributed to the General Fund. For FY 2015-16, and each subsequent year, the State Treasurer would adjust the \$3.0 million by the cumulative annual percentage change in the Consumer Price Index.

FISCAL IMPACT:

Senate Bill 678 (H-1) would reduce cigarette tax revenue currently dedicated to the General Fund by \$3.0 million in FY 2014-15 and by \$3.0 million adjusted for inflation in FY 2015-16 and each subsequent year. The funding would be redirected for deposit in the Michigan State Capitol Historic Site Fund for the following purposes outlined in 240 PA 2013:

- Maintaining and restoring the Michigan State Capitol building;

- Maintaining and improving the grounds of the historic site;
- Providing administration of the Michigan State Capitol Commission;
- Entering into contracts for goods and services; and
- Making recommendations to the Governor, Senate, and House of Representatives about funding for the site.

Total estimated revenues from tobacco taxes to the State General Fund are expected to total \$182.9 million in FY 2014-15.

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