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BILL



ANALYSIS

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Senate Bill 678 (as reported by the Committee of the Whole)
Sponsor: Senator Roger Kahn, M.D.
Committee: Government Operations

CONTENT

The bill would amend the Tobacco Products Tax Act to revise the annual distribution of revenue from the tax imposed on cigarettes, by allocating \$3.0 million to a proposed Michigan State Capitol Historic Site Fund and \$10.0 million to the Department of Community Health for the Statewide Trauma System beginning October 1, 2014; as well as eliminating a distribution to Wayne County for indigent health care and increasing an allocation to the Medicaid Benefits Trust Fund beginning October 1, 2013.

The Act imposes a total tax of 100 mills on each cigarette sold (which equates to \$2 on a pack of 20 cigarettes). Different revenue distributions are specified for 37.5 mills, an additional 15 mills, an additional 10 mills, and an additional 37.5 mills. The bill would revise the distributions of the proceeds of those mills except for the additional 10 mills.

For the first 37.5 mills, the Act allocates 24.1% of the proceeds to the General Fund. Under the bill, this would apply through September 30, 2014. For fiscal year (FY) 2014-15, the bill would allocate \$3.0 million of 24.1% to the Michigan State Capitol Historic Site Fund (proposed by Senate Bill 665). For FY 2015-16 and each subsequent fiscal, the State Treasurer would have to adjust that figure by the cumulative annual percentage change in the Consumer Price Index. The remaining proceeds of the 24.1% would have to be credited to the General Fund.

For the additional 15 mills, the Act allocates 3.7% of the proceeds to counties with a 2000 population of more than 2.0 million for indigent health care, and 25.0% to the Medicaid Benefits Trust Fund. Under the bill, those distributions would apply through September 30, 2013. Beginning October 1, 2013, the bill would require 28.7% of the proceeds from the 15 mills to be credited to the Medicaid Benefits Trust Fund.

For the additional 37.5 mills, the Act allocates 25.0% of the proceeds to the General Fund. Under the bill, this would apply through September 30, 2014. For FY 2014-15 and each subsequent year, the bill would require \$10.0 million to be disbursed to the Department of Community Health for the Statewide Trauma System. The remainder of the 25.0% would have to be credited to the General Fund.

MCL 205.432

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce revenue to the General Fund by \$13.0 million or more beginning in FY 2014-15. It would earmark \$3.0 million annually (adjusted for inflation) starting in FY 2014-15 from a portion of the cigarette tax that currently is deposited into the General Fund and shift it to the proposed Michigan State Capitol Historic Site Fund. The bill would

earmark \$10.0 million annually beginning in FY 2014-15 to the Department of Community Health for the Statewide Trauma System.

Effective September 30, 2013, the bill would eliminate the distribution of the cigarette tax that currently goes to Wayne County for indigent health care. This would reduce State payments to Wayne County by approximately \$4.8 million annually beginning in FY 2013-14. The bill would shift that amount of revenue to the Medicaid Benefits Trust Fund, increasing revenue to that Fund by an estimated \$4.8 million annually beginning in FY 2013-14.

Date Completed: 11-13-13

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.