

under this subdivision to be made in any year in which an increase in the federal or state excise tax on cigarettes is implemented, the commissioner shall exclude from the calculated average price for the current year an amount equal to any increase in the state or federal excise tax rate.

(b) The commissioner shall publish the resulting rate by November 1, and the rate applies to sales made on or after January 1 of the following year.

(c) The determination of the commissioner under this subdivision is not a rule and is not subject to the Administrative Procedure Act under chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning with rates calculated for calendar year 2019.

Sec. 3. Minnesota Statutes 2017 Supplement, section 297F.05, subdivision 3a, is amended to read:

Subd. 3a. **Rates; premium cigars.** (a) A tax is imposed upon all premium cigars in this state and upon any person engaged in business as a tobacco product distributor, at the lesser of:

(1) the rate of 95 percent of the wholesale sales price of the premium cigars; or

(2) ~~\$0.50~~ \$3.50 per premium cigar.

(b) The tax imposed under paragraph (a) is imposed at the time the tobacco products distributor:

(1) brings, or causes to be brought, into this state from outside the state premium cigars for sale;

(2) makes, manufactures, or fabricates premium cigars in this state for sale in this state; or

(3) ships or transports premium cigars to retailers in this state, to be sold by those retailers.

EFFECTIVE DATE. This section is effective for cigars brought into the state or manufactured in the state on or after July 1, 2018.

Sec. 4. Minnesota Statutes 2017 Supplement, section 297F.05, subdivision 4a, is amended to read:

Subd. 4a. **Use tax; premium cigars.** A tax is imposed upon the use or storage by consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

3.1 (1) the rate of 95 percent of the cost to the consumer of the premium cigars; or

3.2 (2) ~~\$0.50~~ \$3.50 per premium cigar.

3.3 **EFFECTIVE DATE.** This section is effective for cigars for which the consumer has
3.4 acquired title to, or possession of, on or after July 1, 2018.

3.5 Sec. 5. Minnesota Statutes 2017 Supplement, section 297F.10, subdivision 1, is amended
3.6 to read:

3.7 Subdivision 1. **Tax and use tax on cigarettes and premium cigars.** (a) Revenue received
3.8 from cigarette taxes, as well as related penalties, interest, license fees, and miscellaneous
3.9 sources of revenue shall be deposited by the commissioner in the state treasury and credited
3.10 as follows:

3.11 (1) \$22,250,000 each year must be credited to the Academic Health Center special
3.12 revenue fund hereby created and is annually appropriated to the Board of Regents at the
3.13 University of Minnesota for Academic Health Center funding at the University of Minnesota;
3.14 ~~and~~

3.15 (2) \$3,937,000 each year must be credited to the medical education and research costs
3.16 account hereby created in the special revenue fund and is annually appropriated to the
3.17 commissioner of health for distribution under section 62J.692, subdivision 4; ~~and~~

3.18 (3) \$12,500,000 each year must be credited to the tobacco use prevention account hereby
3.19 created in the special revenue fund and is annually appropriated to the commissioner of
3.20 health for the purposes in paragraph (c); and

3.21 ~~(3)~~ (4) the balance of the revenues derived from taxes, penalties, and interest ~~(under this~~
3.22 ~~chapter)~~ and from license fees and miscellaneous sources of revenue shall be credited to
3.23 the general fund.

3.24 (b) Of the revenue received from the tax on premium cigars, as well as related penalties,
3.25 interest, license fees, and miscellaneous sources of revenue, \$1,800,000 each year must be
3.26 credited to the tobacco use prevention account in the special revenue fund created in
3.27 paragraph (a), clause (3), and is annually appropriated to the commissioner of health for
3.28 the purposes in paragraph (c). The balance of the revenues derived from taxes, penalties,
3.29 and interest under this chapter and from license fees and miscellaneous sources of revenue
3.30 shall be credited to the general fund.

3.31 (c) Money appropriated under paragraphs (a), clause (3); and (b) must be spent for:

3.32 (1) the duties under section 144.392;

4.1 (2) distribution under section 144.396;

4.2 (3) any other purpose related to tobacco use prevention authorized by state law; or

4.3 (4) smoking cessation services.

4.4 (d) The commissioner of health may administer or contract for the administration of a
4.5 smoking cessation service. For purposes of this paragraph, "smoking cessation services"
4.6 includes any statewide service that provides assistance to Minnesotans who are seeking
4.7 advice or services to help them quit using tobacco products and any public awareness
4.8 activities for that service.

4.9 **EFFECTIVE DATE.** This section is effective July 1, 2019.