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State of Minnesota  
HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **3091**

02/26/2018 Authored by Freiberg, Moran, Olson and Slocum  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to taxation; tobacco; reinstating the annual indexing requirement for the  
1.3 cigarette excise tax rate; amending Minnesota Statutes 2016, section 297F.05, by  
1.4 adding a subdivision; Minnesota Statutes 2017 Supplement, section 297F.05,  
1.5 subdivision 1.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2017 Supplement, section 297F.05, subdivision 1, is amended  
1.8 to read:

1.9 Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in this  
1.10 state, upon having cigarettes in possession in this state with intent to sell, upon any person  
1.11 engaged in business as a distributor, and upon the use or storage by consumers, at the rate  
1.12 of ~~45.2~~ 15.9 mills, or ~~45.2~~ 15.9 cents, on each cigarette.

1.13 **EFFECTIVE DATE.** This section is effective July 1, 2018.

1.14 Sec. 2. Minnesota Statutes 2016, section 297F.05, is amended by adding a subdivision to  
1.15 read:

1.16 Subd. 1b. **Annual indexing.** (a) Each year the commissioner shall adjust the tax rates  
1.17 under subdivision 1, including any adjustment made in prior years under this subdivision,  
1.18 by multiplying the mill rates for the current calendar year by an adjustment factor and  
1.19 rounding the result to the nearest mill. The adjustment factor equals the in-lieu sales tax  
1.20 rate that applies to the following calendar year divided by the in-lieu sales tax rate for the  
1.21 current calendar year. For purposes of this subdivision, "in-lieu sales tax rate" means the  
1.22 tax rate established under section 297F.25, subdivision 1. For purposes of the calculations  
1.23 under this subdivision to be made in any year in which an increase in the federal or state

2.1 excise tax on cigarettes is implemented, the commissioner shall exclude from the calculated  
2.2 average price for the current year an amount equal to any increase in the state or federal  
2.3 excise tax rate.

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

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

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