

(SENATE AUTHORS: NELSON)

| DATE | D-PG | OFFICIAL STATUS |
|------------|------|---|
| 03/14/2011 | 505 | Introduction and first reading Referred to Taxes |

1.1A bill for an act

1.2relating to tobacco; modifying the definition of cigarette; proposing a study;

1.3requiring a report; appropriating money; amending Minnesota Statutes 2010,

1.4sections 297F.01, subdivision 3; 325D.32, subdivision 2.

1.5BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6Section 1. CITATION.

1.7This act may be cited as the Tobacco Uniformity Act of 2011.

1.8Sec. 2. Minnesota Statutes 2010, section 297F.01, subdivision 3, is amended to read:

1.9Subd. 3. **Cigarette.** "Cigarette" means any roll for smoking made wholly or in part

1.10of tobacco; that weighs 4.5 pounds or less per thousand:

1.11(1) the wrapper or cover of which is made of paper or another substance or material

1.12except tobacco; or

1.13(2) wrapped in any substance containing tobacco, however labeled or named, which,

1.14because of its appearance, size, the type of tobacco used in the filler, or its packaging,

1.15pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as

1.16a cigarette, as defined in clause (1), unless it is wrapped in whole tobacco leaf and does

1.17not have a cellulose acetate or other cigarette-like filter.

1.18Sec. 3. Minnesota Statutes 2010, section 325D.32, subdivision 2, is amended to read:

1.19Subd. 2. **Cigarettes.** "Cigarettes" means and includes any roll for smoking, made

1.20wholly or in part of tobacco, irrespective of size and shape and whether or not such

1.21tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover

of which is made of paper or any other substance or material except whole tobacco leaf,
and includes any cigarette as defined in section 297F.01, subdivision 3.

Sec. 4. **TOBACCO TAX COLLECTION REPORT.**

Subdivision 1. Report to legislature. (a) The commissioner of revenue shall report to the 2012 legislature on the tobacco tax collection system, including recommendations to improve compliance under the excise tax for both cigarettes and other tobacco products. The purpose of the report is to provide information and guidance to the legislature on improvements to the tobacco tax collection system to:

(1) provide a unified system of collecting both the cigarette and other tobacco products taxes, regardless of category, size, or shape, that ensures the highest reasonable rates of tax collection;

(2) discourage tax evasion; and

(3) help to prevent illegal sale of tobacco products, which may make these products more accessible to youth.

(b) In the report, the commissioner shall:

(1) provide a detailed review of the present excise tax collection and compliance system as it applies to both cigarettes and other tobacco products. This must include an assessment of the levels of compliance for each category of products and the effect of the stamping requirement on compliance rates for cigarettes relative to other tobacco products. It also must identify any weaknesses in the system;

(2) survey the methods of collection and enforcement used by other states or nations, including identifying and discussing emerging best practices that ensure tracking of both cigarettes and other tobacco products and result in the highest rates of tax collection and compliance. These best practices must consider high-technology alternatives, such as use of bar codes, radio-frequency identification tags, or similar mechanisms for tracking compliance;

(3) evaluate the adequacy and effectiveness of the existing penalties and other sanctions for noncompliance;

(4) evaluate the adequacy of the resources allocated by the state to enforce the tobacco tax and prevention laws; and

(5) make recommendations on implementation of a comprehensive tobacco tax collection system for Minnesota that can be implemented by January 1, 2014, including:

(i) recommendations on the specific steps needed to institute and implement the new system, including estimates of the state's costs of doing so and any additional personnel requirements;

3.1 (ii) recommendations on methods to recover the cost of implementing the system
3.2 from the industry;

3.3 (iii) evaluation of the extent to which the proposed system is sufficiently flexible
3.4 and adaptable to adjust to modifications in the construction, packaging, formatting, and
3.5 marketing of tobacco products by the industry; and

3.6 (iv) recommendations to modify existing penalties or to impose new penalties or
3.7 other sanctions to ensure compliance with the system.

3.8 Subd. 2. **Due date.** The report required by subdivision 1 is due January 15, 2012.

3.9 Subd. 3. **Procedure.** The report required under this section must be made in the
3.10 manner provided under Minnesota Statutes, section 3.195. In addition, copies must be
3.11 provided to the chairs and ranking minority members of the legislative committees and
3.12 divisions with jurisdiction over taxation.

3.13 Subd. 4. **Appropriation.** (a) \$..... is appropriated from the general fund to the
3.14 commissioner of revenue for fiscal year 2012 for the cost of preparing the report under
3.15 subdivision 1.

3.16 (b) The appropriation under this subdivision is a onetime appropriation and is not
3.17 included in the base budget.