

ASSEMBLY, No. 284

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblyman BATEMAN

1 AN ACT concerning the taxation of cigarettes and other tobacco
2 products and designating an amount of the cigarette tax revenues
3 for certain purposes, amending P.L.1948, c.65, P.L.1990, c.39,
4 P.L.1982, c.40, P.L.1966, c.36 and P.L.1992, c.160.

5
6 **BE IT ENACTED** *by the Senate and General Assembly of the State*
7 *of New Jersey:*

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9 1. Section 301 of P.L.1948, c.65 (C.54:40A-8) is amended to read
10 as follows:

11 301. A tax is hereby imposed on the sale, use or possession for sale
12 or use within this State of all cigarettes at the rate of [\$0.02] \$0.07 for
13 each cigarette.

14 The tax rate shall increase by \$0.01 biennially commencing January
15 1, 1997, until the total tax equals \$0.14 for each cigarette.

16 (cf: P.L.1990, c.39, s.15)

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18 2. Section 3 of P.L.1990, c.39 (C.54:40B-3) is amended to read as
19 follows:

20 3. a. There is imposed a tax of [24%] 84% upon the receipts from
21 every sale of a tobacco product by a distributor or a wholesaler to a
22 retail dealer or consumer.

23 b. Unless a tobacco product has already been or will be subject to
24 the wholesale sales tax imposed in subsection a. of this section, if a
25 distributor or wholesaler uses a tobacco product within this State,
26 there is imposed upon the distributor or wholesaler a compensating
27 use tax of [24%] 84% measured by the sales price of a similar tobacco
28 product to a retail dealer.

29 c. Unless a wholesale use tax is due pursuant to subsection b. of
30 this section, if a distributor or wholesaler has not collected the
31 wholesale sales tax imposed in subsection a. of this section upon a sale
32 that is subject to the wholesale sales tax imposed in that subsection a.,
33 there is imposed upon the retail dealer or consumer chargeable for the
34 sale a compensating use tax of [24%] 84% of the price paid or charged

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 for the tobacco product, which shall be collected in the manner
2 provided in subsection b. of section 5 of this act.

3 d. The tax rates set forth in subsections a., b. and c. of this section
4 shall increase by the addition of 12% to those percentage rates every
5 two years commencing January 1, 1997, until the tax rates equal
6 168%.

7 (cf: P.L.1990, c.39, s.3)

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9 3. Section 5 of P.L.1982, c.40 (C.54:40A-37.1) is amended to read
10 as follows:

11 5. a. The sum of \$1,000,000.00 of the tax collected pursuant to
12 section 301 of P.L.1948, c.65 (C.54:40A-8), shall be deposited by the
13 State Treasurer in a special account to be known as the Cancer
14 Research Fund, except that for Fiscal Year 1983 only \$500,000.00
15 shall be deposited in that account. Moneys in the Cancer Research
16 Fund shall be annually appropriated toward the funding of the New
17 Jersey State Commission on Cancer Research established pursuant to
18 P.L.1983, c.6 (C.52:9U-1 et seq.), or to projects authorized and
19 approved by the commission.

20 b. The sum of \$6,000,000 of the tax collected pursuant to section
21 301 of P.L.1948, c.65 (C.54:40A-8), shall be deposited annually by the
22 State Treasurer into the special projects and development fund
23 established pursuant to section 7 of P.L.1966, c.36 (C.26:2F-7) for the
24 law enforcement and educational purposes described in section 7 of
25 P.L.1966, c.36 (C.26:2F-7). The amount specified in this subsection
26 shall be deposited into the fund in two equal installments on November
27 30 and April 30 of each year.

28 c. The sum of \$10,000,000 of the tax collected pursuant to section
29 301 of P.L.1948, c.65 (C.54:40A-8), shall be deposited annually by the
30 State Treasurer into the Health Care Subsidy Fund established
31 pursuant to section 8 of P.L.1992, c.160 (C.26:2H-18.58). The
32 amount specified in this subsection shall be deposited into the fund in
33 two equal installments on November 30 and April 30 of each year.

34 (cf: P.L.1990, c.39, s.18)

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36 4. Section 7 of P.L.1966, c.36 (C.26:2F-7) is amended to read as
37 follows:

38 7. (a) There is hereby established a special projects and
39 development fund which shall consist of all funds appropriated or
40 otherwise made available for the purposes set forth in this section.
41 The commissioner, with the approval of the Public Health Council,
42 may make grants from the special projects and development fund to
43 local health agencies, to hospitals, and to voluntary health agencies to
44 provide State health assistance for new health services and for special
45 health projects in order to stimulate continued development of health
46 services and to assure the citizens of New Jersey the benefits of the

1 most advanced health protection techniques.

2 (b) [Grants] Except as provided in subsection © of this section,
3 grants from the special projects and development fund for specific
4 purposes shall be made on an annual basis for a period not in excess
5 of 5 years and such grants shall be in diminishing amounts during this
6 period. The commissioner shall determine the conditions applicable to
7 each such grant including the extent of local financial participation to
8 be required. Grants from the special projects and development fund to
9 voluntary health agencies shall not exceed 40% of said fund.

10 (c) In addition to the purposes for which grants may be made
11 pursuant to subsection (a) of this section and notwithstanding the
12 restrictions on grants contained in subsections (a) and (b) of this
13 section, the commissioner, with the approval of the Public Health
14 Council, shall make grants annually from the special projects and
15 development fund to local health agencies for the local efforts detailed
16 in written grant applications submitted to the commissioner by such
17 agencies to (1) enforce the prohibition in N.J.S.2A:170-51 against the
18 sale or provision of cigarettes, cigarette papers and tobacco to persons
19 under 18 years of age, or (2) to enhance or expand the materials used
20 or the instruction provided on the tobacco component of the
21 instructional program on the nature of drugs, alcohol, anabolic
22 steroids, tobacco and controlled dangerous substances which is
23 required to be taught in the public schools pursuant to section 1 of
24 P.L.1987, c.389 (C.18A:40A-1), or for instructional programs for
25 persons under the age of 18 years in locations other than public school
26 facilities, or (3) both.

27 The amount of each grant awarded under this subsection shall be
28 determined by the commissioner after a review of the grant
29 application. The commissioner may impose such conditions as the
30 commissioner deems necessary on the expenditure of a grant amount
31 to ensure its proper and effective use. A grant made pursuant to
32 paragraph (2) of this subsection shall not be used to replace any funds
33 currently spent by a public school to fulfill the requirement of section
34 1 of P.L.1987, c.389 (C.18A:40A-1). The annual total of all grants
35 made from the fund under paragraph (1) of this subsection shall not
36 exceed \$3,000,000, and the annual total of all grants made from the
37 fund under paragraph (2) shall not exceed \$3,000,000. Each local
38 health agency receiving a grant shall submit a written report quarterly
39 to the commissioner on the expenditure of grant funds and the status
40 of the local efforts toward law enforcement or education for which the
41 grant was made.

42 (cf: P.L.1966, c.36, s.7)

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44 5. Section 8 of P.L.1992, c.160 (C.26:2H-18.58) is amended to
45 read as follows:

46 8. There is established the Health Care Subsidy Fund in the

1 Department of Health.

2 a. The fund shall be comprised of revenues from employee and
3 employer contributions made pursuant to section 29 of P.L.1992,
4 c.160 (C.43:21-7b), revenues from the hospital assessment made
5 pursuant to section 12 of this act, revenues from interest and penalties
6 collected pursuant to this act [and], revenues from such other sources
7 as the Legislature shall determine and the amount of tax collected
8 pursuant to section 301 of P.L.1948, c.65 (C.54:40A-8) and deposited
9 annually by the State Treasurer into the fund in accordance with
10 subsection c. of section 5 of P.L.1982, c.40 (C.54:40A-37.1). Interest
11 earned on the monies in the fund shall be credited to the fund.

12 The fund shall be a nonlapsing fund dedicated for use by the State
13 to: (1) distribute charity care and other uncompensated care
14 disproportionate share payments to hospitals, and provide subsidies for
15 the Health Access New Jersey program established pursuant to section
16 15 of this act; and (2) assist hospitals and other health care facilities
17 in the underwriting of innovative and necessary health care services.

18 b. The fund shall be administered by a person appointed by the
19 commissioner.

20 The administrator of the fund is responsible for overseeing and
21 coordinating the collection and reimbursement of fund monies. The
22 administrator is responsible for promptly informing the commissioner
23 if monies are not or are not reasonably expected to be collected or
24 disbursed or if the fund's reserve as established in subsection c. of this
25 section falls below the required level.

26 c. The fund shall maintain a reserve in an amount not to exceed
27 \$20 million. The commissioner shall adopt rules and regulations to
28 govern the use of the reserve and to ensure the integrity of the fund,
29 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
30 (C.52:14B-1 et seq.).

31 d. The administrator shall establish separate accounts for the
32 charity care component of the disproportionate share hospital subsidy,
33 other uncompensated care component of the disproportionate share
34 hospital subsidy, hospital and other health care initiatives funding and
35 the payments for subsidies for insurance premiums to provide care in
36 disproportionate share hospitals, known as the Health Access New
37 Jersey subsidy account, respectively.

38 e. In the event that the charity care component of the
39 disproportionate share hospital subsidy account has a surplus in a
40 given year after payments are distributed pursuant to the methodology
41 established in section 13 of P.L.1995, c.133 (C.26:2H-18.59b) and
42 within the limitations provided in subsection e. of section 9 of
43 P.L.1992, c.160 (C.26:2H-18.59), the commissioner may reallocate
44 the surplus monies to the Health Access New Jersey subsidy account.
45 (cf. P.L.1995, c.133, s.4)

1 steroids, tobacco and controlled dangerous substances which is
2 required to be taught in the public schools in grades kindergarten
3 through 12, or for instructional programs for children under the age of
4 18 years in locations other than public school facilities. The
5 commissioner would be limited to a maximum of \$3 million in grants
6 in each of these two categories.

7 Finally, the bill requires the State Treasurer to deposit \$10 million
8 annually from cigarette tax revenues into the Health Care Subsidy
9 Fund, a nonlapsing and dedicated fund from which the State distributes
10 charity care and other uncompensated care payments to certain
11 hospitals.

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16 Increases tax on cigarettes and other tobacco products; designates
17 \$16 million of cigarette tax revenues for certain purposes.