
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 4215 (as passed by the House)
Sponsor: Representative Kirk Profit
House Committee: Tax Policy

CONTENT

The bill would amend the Tobacco Products Tax Act to require that a tax stamp be affixed to all individual packages of cigarettes sold in Michigan (except sales to the U.S. government or its agencies, or Indian communities); prescribe who would have to affix the stamps, when, and where; allow a wholesaler or unclassified acquirer to purchase tax stamps from the Department of Treasury or a tax stamp sales agent at a 1.25% discount from the face amount of the stamps, but keep the current tax collection fee at 1% for tobacco products other than cigarettes; require licensees to report specific information to the Department each month regarding the number of cigarettes sold and tax stamps used; and establish penalties for persons who possessed cigarettes that did not have a tax stamp, and for persons who unlawfully manufactured or possessed a tax stamp. The bill would take effect June 1, 1997.

Prior to delivery, sale, or transfer to any person in the State, a wholesaler or an unclassified acquirer would be required to place on each individual pack of cigarettes to be sold within the State a tax stamp provided by the Department of Treasury. (Upon written notice to the revenue commissioner, a wholesaler engaged in interstate business could set aside a portion of the stock as necessary for interstate business without affixing the tax stamps.) Upon written authorization of the Department, a wholesaler or unclassified acquirer could appoint a tax stamping agent to affix tax stamps to individual packages of cigarettes.

Beginning July 1, 1997, a licensee other than a wholesaler or unclassified acquirer or a person acting as a transporter, could not acquire cigarettes for resale unless the individual package of cigarettes had a tax stamp affixed to it. Beginning November 1, 1997, a retailer or vending machine operator could not sell or offer for sale an individual pack of cigarettes to the public that did not have the required tax stamp. If an individual package of cigarettes were found without a tax stamp affixed as required, there would be a presumption that it was being kept in violation of the Act.

MCL 205.422 et al.

Legislative Analyst: G. Towne

FISCAL IMPACT

The Senate Fiscal Agency estimates a net increase in cigarette tax revenue of \$12.2 million under this provision. An additional \$2 million in sales tax revenue would be collected. Nevertheless, there are many factors such as economic climate and health concerns that could affect the sales of cigarettes. Because the exact number of cigarettes that will be consumed is hard to quantify, it is very difficult to provide a precise revenue estimate for this provision.

Date Completed: 12-10-97

Fiscal Analyst: E. Limbs

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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.