



STATE BOARD OF EQUALIZATION

STAFF LEGISLATIVE ENROLLED BILL ANALYSIS

Date Amended	Enrolled	Bill No:	AB 2030
Tax:	Cigarette and Tobacco Products	Author:	Cogdill
Related Bills:	AB 2491 (J. Horton)		

BILL SUMMARY

This bill would:

- Require the Board of Equalization (Board) to conduct at least two hearings per year before the full Board, as specified, to present proposals on changes to the Cigarette and Tobacco Products Tax Law that may further advance voluntary compliance and improve the relationship between taxpayers and government.
- Require the Board to post on its Web site the amounts of cigarette and tobacco products revenues collected and disbursed, as described, for the previous calendar quarter.

ANALYSIS

Current Law

Section 30458.3 of the Cigarette and Tobacco Products Tax Law requires the Board to conduct an annual hearing before the full Board where industry representatives and individual taxpayers are allowed to present their proposals on changes to the Cigarette and Tobacco Products Tax Law which may further improve voluntary compliance and the relationship between taxpayers and government. Similar provisions are also contained in other tax and fee laws administered by the Board.

Section **30101**, **30123** and **30131.2** impose an excise tax of 43 1/2 mills per cigarette (87 cents per package of 20) on each cigarette distributed. Sections **30123** and **30131.2** also impose a surcharge on tobacco products at a rate to be annually determined by the Board. The tobacco products tax rate is equivalent to the combined rate of tax on cigarettes and based on the March 1 wholesale cost of cigarettes. Currently, the surcharge rate for fiscal year 2003-04 is 46.76 percent. The revenues for the cigarette and tobacco products tax are disbursed as follows:

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Fund	Disposition of Revenue
Cigarette Tax	
General Fund	11.49%
Breast Cancer Fund	2.30%
Cigarette & Tobacco Products Surtax Fund	28.74%
California Children & Families First Trust Fund	57.47%
Total	100%
Tobacco Products Tax	
Cigarette & Tobacco Products Surtax Fund	63.51%
California Children & Families First Trust Fund	36.49%
Total	100%

Currently, the Board is not mandated to post revenue information related to the cigarette and tobacco products tax, or any other tax or fee collected by the Board, on its Web site. Cigarette and tobacco products tax revenue figures are included in the Board’s Annual Report, which is posted to the Web site. However, that information does not reflect the amount of revenue disbursed to each of the cigarette and tobacco products tax funds or accounts.

Proposed Law

This bill would amend **Section 30458.3** to increase the number, from “at least one” to “at least two,” hearings per year conducted before the full Board where industry representatives and individual taxpayers are allowed to present their proposals on changes to the Cigarette and Tobacco Products Tax Law.

This bill would also add **Section 30459.8** to the Cigarette and Tobacco Products Tax Law to require the Board to, in each calendar quarter, post on its Web site the amounts of cigarette and tobacco products revenues collected and disbursed for the previous calendar quarter to the General Fund, Breast Cancer Fund, Cigarette and Tobacco Products Surtax Fund, and the California Children and Families Trust Fund Account.

The bill would become effective January 1, 2005.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the California Distributor's Association and is intended to make cigarette and tobacco products tax revenues collected and disbursed readily available to the nonprofit groups that depend on those taxes for their funding. This measure is also intended to provide a vehicle for cleanup to AB 71.
2. **Key amendments.** The **May 10, 2004**, amendments require the Board to post on its Web site the amounts of cigarette and tobacco products revenues collected and disbursed, as specified, for the previous calendar quarter.
3. **This measure would not be problematic to administer.** Each year the Members of the Board hold public hearings in both Sacramento and Culver City, at which taxpayers are invited to express their ideas, concerns, and recommendations regarding the programs and laws administered by the Board. Since the Board already conducts two hearings per year, one in northern California and one in Southern California, this provision would not affect the Board.

The bill would also require the Board to post on its Web site the amounts of cigarette and tobacco products revenues collected and disbursed for the previous calendar quarter, which would not materially affect the Board's workload.

4. **Related legislation.** AB 2491 (Ch. 82, Stats. 2004, J. Horton) makes technical and clarifying changes to the Licensing Act and to the Cigarette and Tobacco Products Tax Law.

COST ESTIMATE

Some insignificant costs (under \$10,000) would be incurred related to posting cigarette and tobacco products revenue information on the Board's Web site.

REVENUE ESTIMATE

This measure would not affect the state's revenues.

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