

SENATE BILL REPORT

SB 5829

As Reported By Senate Committee On:
Ways & Means, April 18, 2005

Title: An act relating to authorizing an additional cigarette tax.

Brief Description: Authorizing an additional tax on cigarettes.

Sponsors: Senators Thibaudeau, Fairley, Kline, Kohl-Welles, McAuliffe and Fraser.

Brief History:

Committee Activity: Ways & Means: 2/22/05, 4/18/05 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5829 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Fairley, Kohl-Welles, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Hewitt, Parlette, Pflug, Pridemore, Roach and Schoesler.

Staff: Dean Carlson (786-7305)

Background: Currently, a tax is imposed on cigarettes at the rate of \$1.425 per pack of 20 cigarettes. Revenue from the first 23 cents of the cigarette tax goes to the general fund. The next eight cents are dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter. The next \$1.01 goes to the health services account. The remaining 10.5 cents are dedicated to youth violence prevention and drug enforcement.

In November 2000, state voters approved Initiative 728 which created the student achievement fund, funded by a portion of the state property tax. The student achievement fund is distributed to school districts to use for class size reduction, extended learning opportunities for student, professional development for educators, early childhood programs, and necessary building improvements to support class size reductions or extended learning opportunities.

Summary of Substitute Bill: Beginning July 1, 2005 the cigarette tax is increased 60 cents per pack to \$2.025 per pack. July 1, 2007 the cigarette tax is increased an additional 20 cent per pack to \$2.225 per pack. The new revenues are deposited into the student achievement fund. If the amounts deposited in the student achievement fund are sufficient to provide the total allocations per full-time equivalent student required by SB 6096, the remainder of the funds shall be transferred to the general fund.

Revenues representing the estimated loss in funding due to the increased tax to the health services account, water quality account, violence reduction and drug enforcement account, and the general fund are deposited into those accounts.

Substitute Bill Compared to Original Bill: The tax is increased an additional 20 cents per pack beginning July 1, 2007. Instead of the revenue being deposited into the health services account for the basic health plan, the new revenues are deposited into the student achievement fund. If the amounts deposited in the student achievement fund are sufficient to provide the total allocations per full-time equivalent student required by SB 6096, the remainder of the funds must be transferred to the general fund.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2005.

Testimony For: This is a good revenue generating proposal and will fund health care. It is good public policy because it will reduce smoking especially with children as they are most affected by price increases. We don't believe that it will increase cross border sales. Five Canadian border states have over \$2.00 per pack and haven't had a problem.

Testimony Against: Our concern is it places pressure on a particular sector and will drive sales under ground and to neighboring states. The industry is still reeling from I-773, especially in the border communities. Our tax is higher than neighbor states. The loss in sales will cause our members to close their stores. This is a convenience stores largest sales category. I-773 declined cigarette sales by 15 percent.

Who Testified: PRO: Nick Federici, American Lung Association of Washington.

CON: Tom McBride, AWB; Kevin Yoo, Korean American Grocers Association; Dick Siegal, Convenience Group.