

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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HOUSE BILL 1980

Short Title: Align Cigarette Discount With Costs. (Public)

Sponsors: Representatives Luebke, Insko (Primary Sponsors); and Harrison.

Referred to: Finance.

May 26, 2010

A BILL TO BE ENTITLED

AN ACT TO ELIMINATE THE PORTION OF THE DISCOUNT ALLOWED CIGARETTE
DISTRIBUTORS FOR THEIR EXPENSES IN STAMPING CIGARETTES IF THE
DISTRIBUTORS ARE NO LONGER REQUIRED TO STAMP CIGARETTES.

The General Assembly of North Carolina enacts:

SECTION 1. The General Assembly finds that cigarette distributors were required to stamp cigarettes when the cigarette tax was enacted in 1969 and were allowed a discount of approximately five cents (5¢) per carton of cigarettes to cover their expenses in stamping the cigarettes. The General Assembly further finds that when the stamping requirement was repealed in 1993, the discount allowed distributors was subsequently reduced to approximately one cent (1¢) per carton of cigarettes. Finally, the General Assembly finds that the increase of the cigarette tax from five cents (5¢) per pack to forty-five cents (45¢) per pack with no adjustment in the distributors' discount has resulted in a discount of approximately nine cents (9¢) per carton and that this discount is almost twice the discount allowed when distributors were required to stamp cigarettes. The General Assembly concludes that the discount currently allowed distributors compensates them for costs they are not incurring and should be reduced to reflect the elimination of the stamping requirements and to neutralize the increase in the discount produced by the increase in the tax rate.

SECTION 2. G.S. 105-113.21(a1) reads as rewritten:

"(a1) Discount. – A distributor who files a timely report under G.S. 105-113.18 and who sends a timely payment may deduct from the amount due with the report a discount of ~~two percent (2%)~~ twenty-five hundredths percent (0.25%). This discount covers expenses incurred in preparing the records and reports required by this Part, and the expense of furnishing a bond."

SECTION 3. This act becomes effective January 1, 2011, unless the 2010 Session of the 2009 General Assembly enacts legislation entitled "AN ACT TO IMPROVE THE ENFORCEMENT OF THE CIGARETTE EXCISE TAX AND TO DETER THE UNLAWFUL SALE OF NON-TAX-PAID CIGARETTES BY REINSTATING THE REQUIREMENT THAT CIGARETTES BEAR A STAMP INDICATING PAYMENT OF THE TAX." If the 2010 Session of the 2009 General Assembly enacts the legislation reinstating the tax stamp on cigarettes, then this act does not become effective.

