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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **509**

02/11/2013 Authored by Huntley

The bill was read for the first time and referred to the Committee on Health and Human Services Finance

1.1 A bill for an act
1.2 relating to state government; modifying medical education and research cost
1.3 account distributions; increasing the cigarette and tobacco products taxes and
1.4 fees; modifying definitions; changing certain tax provisions; imposing a floor
1.5 stocks tax on cigarettes; adjusting the rate of the cigarette sales tax; appropriating
1.6 money; amending Minnesota Statutes 2012, sections 16A.724, subdivision 2;
1.7 62J.692, by adding subdivisions; 295.52, subdivision 8; 297F.01, subdivisions 3,
1.8 19; 297F.05, subdivisions 1, 3, 4; 297F.10; 325D.32, subdivision 2.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2012, section 16A.724, subdivision 2, is amended to read:

1.11 Subd. 2. **Transfers.** (a) Notwithstanding section 295.581, to the extent available
1.12 resources in the health care access fund exceed expenditures in that fund, effective for
1.13 the biennium beginning July 1, 2007, the commissioner of management and budget shall
1.14 transfer the excess funds from the health care access fund to the general fund on June
1.15 30 of each year, provided that the amount transferred in any fiscal biennium shall not
1.16 exceed \$96,000,000 and provided that funds deposited under section 297F.10 shall not be
1.17 considered available resources for purposes of this transfer. The purpose of this transfer
1.18 is to meet the rate increase required under Laws 2003, First Special Session chapter 14,
1.19 article 13C, section 2, subdivision 6.

1.20 (b) For fiscal years 2006 to 2011, MinnesotaCare shall be a forecasted program, and,
1.21 if necessary, the commissioner shall reduce these transfers from the health care access
1.22 fund to the general fund to meet annual MinnesotaCare expenditures or, if necessary,
1.23 transfer sufficient funds from the general fund to the health care access fund to meet
1.24 annual MinnesotaCare expenditures.

1.25 (c) Notwithstanding section 295.581, the following amounts shall be transferred
1.26 from the health care access fund for the purposes provided:

2.1 (1) \$44,000,000 each year must be transferred to the medical education and research
 2.2 cost account created in the special revenue fund and is annually appropriated to the
 2.3 commissioner of health for distribution under section 62J.692, subdivision 4;

2.4 (2) \$25,000,000 each year must be transferred to the medical education and research
 2.5 cost account created in the special revenue fund and is annually appropriated to the
 2.6 commissioner of health for distribution under section 62J.692, subdivision 7b;

2.7 (3) \$15,000,000 each year must be transferred to the medical education and research
 2.8 cost account in the special revenue fund and is annually appropriated to the commissioner
 2.9 of health for distribution under section 62J.692, subdivision 4a;

2.10 (4) \$20,000,000 each year is annually appropriated to the commissioner of health for
 2.11 distribution under section 144.1501 for physician loan forgiveness; and

2.12 (5) \$30,000,000 each year is annually appropriated to the commissioner of health for
 2.13 distribution of statewide health improvement grants under section 145.986.

2.14 Sec. 2. Minnesota Statutes 2012, section 62J.692, is amended by adding a subdivision
 2.15 to read:

2.16 Subd. 4a. **Per-resident formula.** The commissioner shall annually distribute
 2.17 medical education funds available under section 16A.724, subdivision 2, paragraph (c),
 2.18 clause (3), to all qualifying applicants based on a distribution formula that reflects a
 2.19 per-resident-physician factor developed by the commissioner of health, in consultation
 2.20 with training hospitals.

2.21 Sec. 3. Minnesota Statutes 2012, section 62J.692, is amended by adding a subdivision
 2.22 to read:

2.23 Subd. 7b. **Primary care training grants.** (a) The commissioner shall award grants
 2.24 to clinical training sites that train the following primary care professionals:

2.25 (1) family practice physicians;

2.26 (2) geriatricians;

2.27 (3) pediatricians;

2.28 (4) nurse practitioners;

2.29 (5) clinical nurse specialists;

2.30 (6) physician assistants;

2.31 (7) psychiatrists; or

2.32 (8) pharmacists.

2.33 (b) The commissioner shall periodically evaluate the priorities in awarding these
 2.34 grants in order to ensure that the priorities meet the changing workforce needs of the state.

3.1 Sec. 4. Minnesota Statutes 2012, section 295.52, subdivision 8, is amended to read:

3.2 Subd. 8. **Contingent reduction in tax rate.** (a) By December 1 of each year,
3.3 beginning in 2011, the commissioner of management and budget shall determine the
3.4 projected balance in the health care access fund for the biennium. In determining the
3.5 projected balance in the health care access fund for the biennium, the commissioner
3.6 shall not count as revenues any funds deposited to the health care access fund pursuant
3.7 to section 297F.10.

3.8 (b) If the commissioner of management and budget determines that the projected
3.9 balance in the health care access fund for the biennium reflects a ratio of revenues to
3.10 expenditures and transfers greater than 125 percent, and if the actual cash balance in the
3.11 fund is adequate, as determined by the commissioner of management and budget, the
3.12 commissioner, in consultation with the commissioner of revenue, shall reduce the tax rates
3.13 levied under subdivisions 1, 1a, 2, 3, and 4, for the subsequent calendar year sufficient
3.14 to reduce the structural balance in the fund. The rate may be reduced to the extent that
3.15 the projected revenues for the biennium do not exceed 125 percent of expenditures and
3.16 transfers. The new rate shall be rounded to the nearest one-tenth of one percent. The rate
3.17 reduction under this paragraph expires at the end of each calendar year and is subject to an
3.18 annual redetermination by the commissioner of management and budget.

3.19 (c) For purposes of the analysis defined in paragraph (b), the commissioner of
3.20 management and budget shall include projected revenues, notwithstanding the repeal of
3.21 the tax imposed under this section effective January 1, 2020.

3.22 Sec. 5. Minnesota Statutes 2012, section 297F.01, subdivision 3, is amended to read:

3.23 Subd. 3. **Cigarette.** "Cigarette" means any roll for smoking made wholly or in part
3.24 of tobacco; that weighs 4.5 pounds or less per thousand:

3.25 (1) the wrapper or cover of which is made of paper or another substance or material
3.26 except tobacco; or

3.27 (2) wrapped in any substance containing tobacco, however labeled or named, which,
3.28 because of its appearance, size, the type of tobacco used in the filler, or its packaging,
3.29 pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as
3.30 a cigarette, as defined in clause (1), unless it is wrapped in whole tobacco leaf and does
3.31 not have a cellulose acetate or other cigarette-like filter.

3.32 **EFFECTIVE DATE.** This section is effective July 1, 2013.

3.33 Sec. 6. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

4.1 Subd. 19. **Tobacco products.** "Tobacco products" means any product containing,
 4.2 made, or derived from tobacco that is intended for human consumption, whether chewed,
 4.3 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means,
 4.4 or any component, part, or accessory of a tobacco product, including, but not limited
 4.5 to, cigars; ~~little cigars~~; cheroots; stogies; periques; granulated, plug cut, crimp cut,
 4.6 ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist
 4.7 tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings
 4.8 and sweepings of tobacco, and other kinds and forms of tobacco; but does not include
 4.9 cigarettes as defined in this section. Tobacco products excludes any tobacco product
 4.10 that has been approved by the United States Food and Drug Administration for sale as
 4.11 a tobacco cessation product, as a tobacco dependence product, or for other medical
 4.12 purposes, and is being marketed and sold solely for such an approved purpose.

4.13 **EFFECTIVE DATE.** This section is effective July 1, 2013.

4.14 Sec. 7. Minnesota Statutes 2012, section 297F.05, subdivision 1, is amended to read:

4.15 Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in
 4.16 this state, upon having cigarettes in possession in this state with intent to sell, upon any
 4.17 person engaged in business as a distributor, and upon the use or storage by consumers, at
 4.18 the following rates:

4.19 (1) on cigarettes weighing not more than three pounds per thousand, ~~24~~ 99 mills on
 4.20 each such cigarette; and

4.21 (2) on cigarettes weighing more than three pounds per thousand, ~~48~~ 123 mills on
 4.22 each such cigarette.

4.23 **EFFECTIVE DATE.** This section is effective July 1, 2013.

4.24 Sec. 8. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

4.25 Subd. 3. **Rates; tobacco products.** A tax is imposed upon all tobacco products
 4.26 in this state and upon any person engaged in business as a distributor, at the rate of ~~35~~
 4.27 47.5 percent of the wholesale sales price of the tobacco products. The tax is imposed at
 4.28 the time the distributor:

4.29 (1) brings, or causes to be brought, into this state from outside the state tobacco
 4.30 products for sale;

4.31 (2) makes, manufactures, or fabricates tobacco products in this state for sale in
 4.32 this state; or

5.1 (3) ships or transports tobacco products to retailers in this state, to be sold by those
5.2 retailers.

5.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

5.4 Sec. 9. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

5.5 Subd. 4. **Use tax; tobacco products.** A tax is imposed upon the use or storage by
5.6 consumers of tobacco products in this state, and upon such consumers, at the rate of 35
5.7 47.5 percent of the cost to the consumer of the tobacco products.

5.8 **EFFECTIVE DATE.** This section is effective July 1, 2013.

5.9 Sec. 10. Minnesota Statutes 2012, section 297F.10, is amended to read:

5.10 **297F.10 DEPOSIT OF PROCEEDS.**

5.11 Subdivision 1. **Tax and use tax on cigarettes.** Revenue received from cigarette
5.12 taxes, as well as related penalties, interest, license fees, and miscellaneous sources of
5.13 revenue shall be deposited by the commissioner in the state treasury and credited as follows:

5.14 (1) \$22,220,000 for fiscal year 2006 and \$22,250,000 for fiscal year 2007 and each
5.15 year thereafter must be credited to the Academic Health Center special revenue fund
5.16 hereby created and is annually appropriated to the Board of Regents at the University of
5.17 Minnesota for Academic Health Center funding at the University of Minnesota; and

5.18 (2) \$8,550,000 for fiscal years 2007 through fiscal year 2011 and \$3,937,000 each
5.19 year thereafter must be credited to the medical education and research costs account hereby
5.20 created in the special revenue fund and is annually appropriated to the commissioner of
5.21 health for distribution under section 62J.692, subdivision 4;

5.22 (3) an amount estimated annually by the commissioner of revenue of revenues
5.23 attributable to increased rates provided in this act must be deposited into the health care
5.24 access fund; and

5.25 ~~(3)~~ (4) the balance of the revenues derived from taxes, penalties, and interest (under
5.26 this chapter) and from license fees and miscellaneous sources of revenue shall be credited
5.27 to the general fund.

5.28 Subd. 2. **Tax and use tax on tobacco products.** Revenue received from taxes on
5.29 tobacco products, as well as related penalties, interest, and license fees shall be deposited
5.30 by the commissioner in the state treasury and credited to the general fund, except amounts
5.31 attributable to increased rates provided in this act must be deposited into the health care
5.32 access fund.

6.1 Sec. 11. Minnesota Statutes 2012, section 325D.32, subdivision 2, is amended to read:

6.2 Subd. 2. **Cigarettes.** "Cigarettes" means and includes any roll for smoking, made
6.3 wholly or in part of tobacco, irrespective of size and shape and whether or not such
6.4 tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover
6.5 of which is made of paper or any other substance or material except whole tobacco leaf,
6.6 and includes any cigarette as defined in section 297F.01, subdivision 3.

6.7 **EFFECTIVE DATE.** This section is effective July 1, 2013.

6.8 Sec. 12. **FLOOR STOCKS TAX.**

6.9 Subdivision 1. **Cigarettes.** A floor stocks cigarette tax is imposed on every
6.10 person engaged in the business in this state as a distributor, retailer, subjobber, vendor,
6.11 manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and
6.12 unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on
6.13 July 1, 2013. The tax is imposed at the rate of 75 mills on each cigarette.

6.14 Each distributor, on or before July 11, 2013, shall file a return with the commissioner
6.15 of revenue, in the form the commissioner prescribes, showing the stamped cigarettes and
6.16 unaffixed stamps on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on
6.17 the cigarettes and unaffixed stamps. Each retailer, subjobber, vendor, manufacturer, or
6.18 manufacturer's representative, on or before July 11, 2013, shall file a return with the
6.19 commissioner of revenue, in the form the commissioner prescribes, showing the cigarettes
6.20 on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the cigarettes. The
6.21 tax imposed by this section is due and payable on or before August 8, 2013, and after that
6.22 date bears interest at the rate of one percent per month.

6.23 Subd. 2. **Audit and enforcement.** The tax imposed by this section is subject to
6.24 the audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and
6.25 collection provisions of Minnesota Statutes, chapters 270C and 297F. The commissioner
6.26 of revenue may require a distributor to receive and maintain copies of floor stocks fee
6.27 returns filed by all persons requesting a credit for returned cigarettes.

6.28 Subd. 3. **Deposit of proceeds.** The commissioner of revenue shall deposit the
6.29 revenues from the tax under this section in the state treasury and credit them to the
6.30 general fund.

6.31 **EFFECTIVE DATE.** This section is effective July 1, 2013.

6.32 Sec. 13. **ADJUSTMENT OF CIGARETTE SALES TAX.**

7.1 The commissioner of revenue shall adjust the cigarette sales tax rate under Minnesota
7.2 Statutes, section 297F.25, that is effective August 1, 2013, to reflect the estimated effect
7.3 on cigarette prices with the imposition of the increased cigarette taxes under this act.