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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1487

03/13/2013 Authored by Metsa, Lesch and Zellers
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to tobacco taxes; updating the definition of tobacco products and
1.3 adding a definition for moist snuff; increasing the fee imposed on the sale of
1.4 nonsettlement cigarettes; amending Minnesota Statutes 2012, sections 297F.01,
1.5 subdivision 19, by adding subdivisions; 297F.05, subdivisions 3, 4; 297F.09,
1.6 subdivisions 2, 3; 297F.24, subdivision 1.

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

1.8 Section 1. Minnesota Statutes 2012, section 297F.01, is amended by adding a
1.9 subdivision to read:

1.10 Subd. 9b. **Little cigar.** "Little cigar" means any roll for smoking made in whole
1.11 or in part of tobacco if the product is wrapped in a substance containing tobacco other
1.12 than natural leaf tobacco, uses an integrated cellulose acetate or other similar filter, and
1.13 weighs not more than four and one-half pounds per thousand.

1.14 Sec. 2. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision
1.15 to read:

1.16 Subd. 10b. **Moist snuff.** "Moist snuff" means finely cut, ground, or powdered
1.17 tobacco that is not intended to be smoked, but shall not include finely cut, ground, or
1.18 powdered tobacco that is intended to be placed in the nasal cavity.

1.19 Sec. 3. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

1.20 Subd. 19. **Tobacco products.** "Tobacco products" means any product containing,
1.21 made, or derived from tobacco that is intended for human consumption, whether chewed,
1.22 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means,
1.23 or any component, part, or accessory of a tobacco product, including, but not limited to,

2.1 cigars; little cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready
 2.2 rubbed, and other smoking tobacco; snuff, including moist snuff; snuff flour; cavendish;
 2.3 plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings,
 2.4 cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not
 2.5 include cigarettes as defined in this section. Tobacco products excludes any tobacco
 2.6 product that has been approved by the United States Food and Drug Administration for
 2.7 sale as a tobacco cessation product, as a tobacco dependence product, or for other medical
 2.8 purposes, and is being marketed and sold solely for such an approved purpose.

2.9 Sec. 4. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

2.10 Subd. 3. **Rates; tobacco products.** (a) A tax is imposed upon all tobacco products
 2.11 in this state and upon any person engaged in business as a distributor, at the ~~rate~~ rates of:

2.12 (1) 35 percent of the wholesale sales price of the tobacco products: other than moist
 2.13 snuff and little cigars;

2.14 (2) for moist snuff, at the rate of \$..... per ounce, and a proportionate rate for any
 2.15 other quantity or fractional part in excess of 1.2 ounces. The tax imposed on a can or
 2.16 package of moist snuff that weighs less than 1.2 ounces shall be equal to the amount of tax
 2.17 imposed on a can or package of moist snuff that weighs 1.2 ounces; and

2.18 (3) for little cigars, the tax on each little cigar shall be equal to the tax imposed per
 2.19 cigarette under subdivision 1, clause (1); section 256.9658, subdivision 3, paragraph (a),
 2.20 clause (1); and any successor provision taxing cigarettes.

2.21 (b) The tax is imposed at the time the distributor:

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

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

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

2.28 Sec. 5. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

2.29 Subd. 4. **Use tax; tobacco products.** A tax is imposed upon the use or storage by
 2.30 consumers of tobacco products in this state, and upon such consumers, at the ~~rate~~ rates of:

2.31 (1) 35 percent of the cost to the consumer of the tobacco products: other than moist
 2.32 snuff and little cigars;

2.33 (2) for moist snuff, at the rate of \$..... per ounce, and a proportionate rate for any
 2.34 other quantity or fractional part in excess of 1.2 ounces. The tax imposed on a can or

3.1 package of moist snuff that weighs less than 1.2 ounces shall be equal to the amount of tax
3.2 imposed on a can or package of moist snuff that weighs 1.2 ounces; and
3.3 (3) for little cigars, the tax on each little cigar shall be equal to the tax imposed per
3.4 cigarette under subdivision 1, clause (1); section 256.9658, subdivision 3, paragraph (a),
3.5 clause (1); and any successor provision taxing cigarettes.

3.6 Sec. 6. Minnesota Statutes 2012, section 297F.09, subdivision 2, is amended to read:

3.7 Subd. 2. **Monthly return; tobacco products distributor.** On or before the 18th
3.8 day of each calendar month, a distributor with a place of business in this state shall file
3.9 a return with the commissioner showing the quantity and wholesale sales price of each
3.10 tobacco product, including the number of ounces of moist snuff tobacco:

3.11 (1) brought, or caused to be brought, into this state for sale; and

3.12 (2) made, manufactured, or fabricated in this state for sale in this state, during the
3.13 preceding calendar month.

3.14 Every licensed distributor outside this state shall in like manner file a return showing
3.15 the quantity and wholesale sales price of each tobacco product, including the number of
3.16 ounces of moist snuff tobacco, shipped or transported to retailers in this state to be sold by
3.17 those retailers, during the preceding calendar month. Returns must be made in the form
3.18 and manner prescribed by the commissioner and must contain any other information
3.19 required by the commissioner. The return must be accompanied by a remittance for the full
3.20 tax liability shown. For distributors subject to the accelerated tax payment requirements in
3.21 subdivision 10, the return for the May liability is due two business days before June 30th
3.22 of the year and the return for the June liability is due on or before August 18th of the year.

3.23 Sec. 7. Minnesota Statutes 2012, section 297F.09, subdivision 3, is amended to read:

3.24 Subd. 3. **Use tax return; cigarette or tobacco products consumer.** On or before
3.25 the 18th day of each calendar month, a consumer who, during the preceding calendar
3.26 month, has acquired title to or possession of cigarettes or tobacco products for use or
3.27 storage in this state, upon which cigarettes or tobacco products the tax imposed by
3.28 this chapter has not been paid, shall file a return with the commissioner showing the
3.29 quantity of cigarettes or tobacco products, including the number of ounces of moist snuff
3.30 tobacco, so acquired. The return must be made in the form and manner prescribed by the
3.31 commissioner, and must contain any other information required by the commissioner. The
3.32 return must be accompanied by a remittance for the full unpaid tax liability shown by it.

3.33 Sec. 8. Minnesota Statutes 2012, section 297F.24, subdivision 1, is amended to read:

4.1 Subdivision 1. **Fee imposed.** (a) A fee is imposed upon the sale of nonsettlement
4.2 cigarettes in this state, upon having nonsettlement cigarettes in possession in this state
4.3 with intent to sell, upon any person engaged in business as a distributor, and upon the
4.4 use or storage by consumers of nonsettlement cigarettes. The fee equals a rate of ~~1.75~~
4.5 2.75 cents per cigarette.

4.6 (b) The purpose of this fee is to:

4.7 (1) ensure that manufacturers of nonsettlement cigarettes pay fees to the state that
4.8 are comparable to costs attributable to the use of the cigarettes;

4.9 (2) prevent manufacturers of nonsettlement cigarettes from undermining the state's
4.10 policy of discouraging underage smoking by offering nonsettlement cigarettes at prices
4.11 substantially below the cigarettes of other manufacturers; and

4.12 (3) fund such other purposes as the legislature determines appropriate.

4.13 Sec. 9. **EFFECTIVE DATE.**

4.14 Sections 1 to 8 are effective July 1, 2013.