It is enacted by the General Assembly as follows:

SECTION 1. The use of tobacco and nicotine products by Rhode Island youth is a serious health and addiction problem. Cigarette use has greatly declined among Rhode Island youth, to eight percent (8%), but as the National Youth Tobacco Survey reports, in 2014 overall use of tobacco among youth rose, exposing dangerous new trends. Clever marketing by the tobacco industry, pushing little cigars, hookahs, e-cigarettes, and flavored vaping products, has put millions of young people at risk of lifelong lethal nicotine addiction. The general assembly finds that each year, five hundred (500) children under the age of eighteen (18) in Rhode Island become daily smokers. There are sixteen thousand (16,000) children currently alive in Rhode Island today who will ultimately die prematurely from smoking. The department of health reports that while eight percent (8%) of Rhode Island high school students currently smoke cigarettes, eleven percent (11%) of Rhode Island public high school students currently smoke cigars, cigarillos, or little cigars. Rhode Island's annual health care costs due to smoking are six hundred thirty-nine million six hundred four thousand two hundred twenty-four dollars ($639,604,224).

SECTION 2. Section 44-20-13.2 of the General Laws in Chapter 44-20 entitled "Cigarette and Other Tobacco Products Tax" is hereby amended to read as follows:

44-20-13.2. Tax imposed on other tobacco products, smokeless tobacco, cigars, and pipe tobacco products.

(a) A tax is imposed on all other tobacco products, smokeless tobacco, cigars, except little cigars as specified in chapter 20.2 of this title, and pipe tobacco products sold, or held for
sale in the state by any person, the payment of the tax to be accomplished according to a
mechanism established by the administrator, division of taxation, department of revenue. The tax
imposed by this section shall be as follows:

(1) At the rate of eighty percent (80%) of the wholesale cost of other tobacco products, cigars, except little cigars as specified in chapter 20.2 of this title, pipe tobacco products, and smokeless tobacco other than snuff.

(2) Notwithstanding the eighty percent (80%) rate in subsection (a) above, in the case of cigars, the tax shall not exceed fifty cents ($0.50) for each cigar.

(3) At the rate of one dollar ($1.00) per ounce of snuff, and a proportionate tax at the like rate on all fractional parts of an ounce thereof. Such tax shall be computed based on the net weight as listed by the manufacturer; provided, however, that any product listed by the manufacturer as having a net weight of less than 1.2 ounces shall be taxed as if the product has a net weight of 1.2 ounces.

(b) Any dealer having in his or her possession any other tobacco products with respect to the storage or use of which a tax is imposed by this section shall, within five (5) days after coming into possession of the other tobacco products in this state, file a return with the tax administrator in a form prescribed by the tax administrator. The return shall be accompanied by a payment of the amount of the tax shown on the form to be due. Records required under this section shall be preserved on the premises described in the relevant license in such a manner as to ensure permanency and accessibility for inspection at reasonable hours by authorized personnel of the administrator.

(c) The proceeds collected are paid into the general fund.

SECTION 3. Sections 44-20.2-1 and 44-20.2-2 of the General Laws in Chapter 44-20.2 entitled "Little Cigar Tax" are hereby amended to read as follows:

44-20.2-1. Definitions.

Whenever used in this chapter, unless the context requires otherwise:

(1) "Administrator" means the tax administrator;

(2) "Dealer" means any person whether located within or outside of this state, who sells or distributes little cigars to a consumer in this state;

(3) "Distributor" means any person:

(i) Whether located within or outside of this state, other than a dealer, who sells or distributes little cigars within or into this state. Such term shall not include any little cigar manufacturer, export warehouse proprietor, or importer with a valid permit under 26 U.S.C. § 5712, if such person sells or distributes little cigars in this state only to licensed distributors, or to
an export warehouse proprietor or another manufacturer with a valid permit under 26 U.S.C. § 5712;

(ii) Selling little cigars directly to consumers in this state by means of at least twenty-five (25) little cigar vending machines.

(4) "Importer" means any person who imports into the United States, either directly or indirectly, a finished little cigar for sale or distribution;

(5) "Licensed" when used with reference to a manufacturer, importer, distributor or dealer, means only those persons who hold a valid and current license issued under § 44-20-2 for the type of business being engaged in. When the term "licensed" is used before a list of entities, such as "licensed manufacturer, importer, wholesale dealer, or retailer dealer," such term shall be deemed to apply to each entity in such list;

(6) "Little cigars" means and includes any roll, made wholly or in part of tobacco, irrespective of size or shape and irrespective of whether the tobacco is flavored, adulterated or mixed with any other ingredient, where such roll has a wrapper or cover made of tobacco wrapped in leaf tobacco or any substance containing tobacco paper or any other material and where such roll has an integrated filter, except where such wrapper is wholly or in greater part made of tobacco and where such roll has an integrated filter and weighs over four (4) four and one-half (4.5) pounds per thousand (1,000);

(7) "Manufacturer" means any person who manufactures, fabricates, assembles, processes, or labels a finished little cigar;

(8) "Person" means any individual, firm, fiduciary, partnership, corporation, trust, or association, however formed;

(9) "Place of business" means and includes any place where little cigars are sold or where little cigars are stored or kept for the purpose of sale or consumption, including any vessel, vehicle, airplane, train, or vending machine;

(10) "Sale" or "Sell" includes and applies to gifts, exchanges, and barter;

(11) "Snuff" means any finely cut, ground, or powdered tobacco that is not intended to be smoked;

(12) "Stamp" means the impression, device, stamp, label, or print manufactured, printed, or made as prescribed by the administrator to be affixed to packages of little cigars, as evidence of the payment of the tax provided by this chapter or to indicate that the little cigars are intended for a sale or distribution in this state that is exempt from state tax under the provisions of state law and also includes impressions made by metering machines authorized to be used under the provisions of this chapter.
44-20-2-2. Tax imposed on little cigars sold.

(a) The tax imposed on little cigars shall be imposed in the same manner as the tax on cigarettes in § 44-20-12 and shall otherwise be imposed in accordance with the provisions of §§ 44-20-2 -- 44-20-55.

(b) All little cigars shall be sold in packs of twenty (20) or more.

(c) Twenty-five percent (25%) of the tax revenue generated from the tax imposed on little cigars shall be applied towards smoking cessation programs and services administered by the tobacco control program at the department of health.

SECTION 4. This act shall take effect upon passage.
EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- LITTLE CIGAR TAX

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1 This act would remove little cigars from the tax imposed on other tobacco products, smokeless tobacco, cigars, and pipe tobacco products and would require that the tax imposed on little cigars be imposed in the same manner as the tax imposed on cigarettes, that twenty-five percent (25%) of such tax revenue would be applied to smoking cessation programs, and require that little cigars be sold in packs of twenty (20) or more.

6 This act would take effect upon passage.

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