

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

H

1

HOUSE BILL 1507

Short Title: Cigarette Tax for Public Education. (Public)

Sponsors: Representatives Hensley; and Adams.

Referred to: Finance.

June 4, 2002

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE CIGARETTE TAX FROM FIVE CENTS A PACK TO
3 FIFTY-FIVE CENTS A PACK AND TO EARMARK THE RESULTING
4 REVENUES FOR PUBLIC EDUCATION.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-113.5 reads as rewritten:

7 "**§ 105-113.5. Tax on cigarettes.**

8 (a) A tax is levied on the sale or possession for sale in this State, by a distributor,
9 of all cigarettes at the rate of two and ~~one-half mills~~ three-fourths cents (2 3/4¢) per
10 individual cigarette.

11 This tax does not apply to any of the following:

- 12 (1) Sample cigarettes distributed without charge in packages containing
13 five or fewer cigarettes.
- 14 (2) Cigarettes in a package of cigarettes given without charge by the
15 manufacturer of the cigarettes to an employee of the manufacturer who
16 works in a factory where cigarettes are made, if the cigarettes are not
17 taxed by the federal government.

18 (b) The Secretary shall, on a quarterly basis, credit to the Trust Fund for Public
19 Education in the Office of State Budget and Management the estimated amount of net
20 proceeds of the tax levied under this section during the previous quarter attributable to
21 the additional two and one-half cents (2 1/2¢) increase in the tax rate enacted in 2002."

22 **SECTION 2.** Article 1 of Chapter 143 of the General Statutes is amended by
23 adding a new section to read:

24 "**§ 143-15E. Trust Fund for Public Education.**

25 The Trust Fund for Public Education is established as an interest-bearing,
26 nonreverting special trust account in the Office of State Budget and Management.
27 Moneys in the Trust Fund shall be held in trust and used solely to meet the public
28 education needs of the State. The Trust Fund shall be used to supplement and not to
29 supplant or replace existing State and local funding for public education. As used in this

1 section, the term `public education' includes preschool education, elementary and
2 secondary education, and postsecondary education.

3 The State Treasurer shall hold the Trust Fund separate and apart from all other
4 moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust
5 Fund and shall invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3.
6 Investment earnings credited to the assets of the Trust Fund shall become part of the
7 Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall
8 be carried forward in the Trust Fund for the next succeeding fiscal year.

9 Moneys in the Trust Fund shall be expended only for public education pursuant to
10 appropriation by the General Assembly."

11 **SECTION 3.** This act becomes effective July 1, 2002.