

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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SENATE BILL 1196

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

Sponsors: Senators Hartsell and Clodfelter.

Referred to: Finance.

May 18, 2010

A BILL TO BE ENTITLED

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

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** The General Assembly finds that cigarette distributors were required
7 to stamp cigarettes when the cigarette tax was enacted in 1969 and were allowed a discount of
8 approximately five cents (5¢) per carton of cigarettes to cover their expenses in stamping the
9 cigarettes. The General Assembly further finds that when the stamping requirement was
10 repealed in 1993, the discount allowed distributors was subsequently reduced to approximately
11 one cent (1¢) per carton of cigarettes. Finally, the General Assembly finds that the increase of
12 the cigarette tax from five cents (5¢) per pack to forty-five cents (45¢) per pack with no
13 adjustment in the distributors' discount has resulted in a discount of approximately nine cents
14 (9¢) per carton and that this discount is almost twice the discount allowed when distributors
15 were required to stamp cigarettes. The General Assembly concludes that the discount currently
16 allowed distributors compensates them for costs they are not incurring and should be reduced to
17 reflect the elimination of the stamping requirements and to neutralize the increase in the
18 discount produced by the increase in the tax rate.

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

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

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

