

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FIFTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 1117**

Introduced by Crawford, 45.

Read first time January 18, 2018

Committee: Revenue

- 1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
- 2 77-4008, Reissue Revised Statutes of Nebraska, and section 77-2602,
- 3 Revised Statutes Cumulative Supplement, 2016; to change certain
- 4 cigarette and tobacco products tax rates; to repeal the original
- 5 sections; and to declare an emergency.
- 6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2602, Revised Statutes Cumulative Supplement,  
2 2016, is amended to read:

3 77-2602 (1) Every stamping agent engaged in distributing or selling  
4 cigarettes at wholesale in this state shall pay to the Tax Commissioner  
5 of this state a special privilege tax. This shall be in addition to all  
6 other taxes. It shall be paid prior to or at the time of the sale, gift,  
7 or delivery to the retail dealer in the several amounts as follows: On  
8 each package of cigarettes containing not more than twenty cigarettes,  
9 two dollars and fourteen ~~sixty-four~~ cents per package; and on packages  
10 containing more than twenty cigarettes, the same tax as provided on  
11 packages containing not more than twenty cigarettes for the first twenty  
12 cigarettes in each package and a tax of one-twentieth of the tax on the  
13 first twenty cigarettes on each cigarette in excess of twenty cigarettes  
14 in each package.

15 (2) Beginning July 1, 2018 ~~October 1, 2004~~, the State Treasurer  
16 shall place the equivalent of one dollar and ninety-nine ~~forty-nine~~ cents  
17 of such tax in the General Fund. The State Treasurer shall reduce the  
18 amount placed in the General Fund under this subsection by the amount  
19 prescribed in subdivision (3)(d) of this section. For purposes of this  
20 section, the equivalent of a specified number of cents of the tax shall  
21 mean that portion of the proceeds of the tax equal to the specified  
22 number divided by the tax rate per package of cigarettes containing not  
23 more than twenty cigarettes.

24 (3) The State Treasurer shall distribute the remaining proceeds of  
25 such tax in the following order:

26 (a) First, beginning July 1, 1980, the State Treasurer shall place  
27 the equivalent of one cent of such tax in the Nebraska Outdoor Recreation  
28 Development Cash Fund. For fiscal year distributions occurring after  
29 FY1998-99, the distribution under this subdivision shall not be less than  
30 the amount distributed under this subdivision for FY1997-98. Any money  
31 needed to increase the amount distributed under this subdivision to the

1 FY1997-98 amount shall reduce the distribution to the General Fund;

2 (b) Second, beginning July 1, 1993, the State Treasurer shall place  
3 the equivalent of three cents of such tax in the Health and Human  
4 Services Cash Fund to carry out sections 81-637 to 81-640. For fiscal  
5 year distributions occurring after FY1998-99, the distribution under this  
6 subdivision shall not be less than the amount distributed under this  
7 subdivision for FY1997-98. Any money needed to increase the amount  
8 distributed under this subdivision to the FY1997-98 amount shall reduce  
9 the distribution to the General Fund;

10 (c) Third, beginning October 1, 2002, and continuing until all the  
11 purposes of the Deferred Building Renewal Act have been fulfilled, the  
12 State Treasurer shall place the equivalent of seven cents of such tax in  
13 the Building Renewal Allocation Fund. The distribution under this  
14 subdivision shall not be less than the amount distributed under this  
15 subdivision for FY1997-98. Any money needed to increase the amount  
16 distributed under this subdivision to the FY1997-98 amount shall reduce  
17 the distribution to the General Fund;

18 (d) Fourth, until July 1, 2009, the State Treasurer shall place in  
19 the Municipal Infrastructure Redevelopment Fund the sum of five hundred  
20 twenty thousand dollars each fiscal year to carry out the Municipal  
21 Infrastructure Redevelopment Fund Act. The Legislature shall appropriate  
22 the sum of five hundred twenty thousand dollars each year for fiscal year  
23 2003-04 through fiscal year 2008-09;

24 (e) Fifth, beginning July 1, 2001, and continuing until June 30,  
25 2008, the State Treasurer shall place the equivalent of two cents of such  
26 tax in the Information Technology Infrastructure Fund. The distribution  
27 under this subdivision shall not be less than two million fifty thousand  
28 dollars. Any money needed to increase the amount distributed under this  
29 subdivision to two million fifty thousand dollars shall reduce the  
30 distribution to the General Fund;

31 (f) Sixth, beginning July 1, 2001, and continuing until June 30,

1 2016, the State Treasurer shall place one million dollars each fiscal  
2 year in the City of the Primary Class Development Fund. If necessary, the  
3 State Treasurer shall reduce the distribution of tax proceeds to the  
4 General Fund pursuant to subsection (2) of this section by such amount  
5 required to fulfill the one million dollars to be distributed pursuant to  
6 this subdivision;

7 (g) Seventh, beginning July 1, 2001, and continuing until June 30,  
8 2016, the State Treasurer shall place one million five hundred thousand  
9 dollars each fiscal year in the City of the Metropolitan Class  
10 Development Fund. If necessary, the State Treasurer shall reduce the  
11 distribution of tax proceeds to the General Fund pursuant to subsection  
12 (2) of this section by such amount required to fulfill the one million  
13 five hundred thousand dollars to be distributed pursuant to this  
14 subdivision;

15 (h) Eighth, beginning July 1, 2008, and continuing until June 30,  
16 2009, the State Treasurer shall place the equivalent of two million fifty  
17 thousand dollars of such tax in the Nebraska Public Safety Communication  
18 System Cash Fund. Beginning July 1, 2009, and continuing until June 30,  
19 2016, the State Treasurer shall place the equivalent of two million five  
20 hundred seventy thousand dollars of such tax in the Nebraska Public  
21 Safety Communication System Cash Fund. Beginning July 1, 2016, and every  
22 fiscal year thereafter, the State Treasurer shall place the equivalent of  
23 three million eight hundred twenty thousand dollars of such tax in the  
24 Nebraska Public Safety Communication System Cash Fund. If necessary, the  
25 State Treasurer shall reduce the distribution of tax proceeds to the  
26 General Fund pursuant to subsection (2) of this section by such amount  
27 required to fulfill the distribution pursuant to this subdivision; and

28 (i) Ninth, beginning July 1, ~~2016~~ 2018, and every fiscal year  
29 thereafter, the State Treasurer shall place the equivalent of ~~one~~ two  
30 million ~~two~~ five hundred ~~fifty~~ thousand dollars of such tax in the  
31 Nebraska Health Care Cash Fund. If necessary, the State Treasurer shall

1 reduce the distribution of tax proceeds to the General Fund pursuant to  
2 subsection (2) of this section by such amount required to fulfill the  
3 distribution pursuant to this subdivision.

4 (4) If, after distributing the proceeds of such tax pursuant to  
5 subsections (2) and (3) of this section, any proceeds of such tax remain,  
6 the State Treasurer shall place such remainder in the Nebraska Capital  
7 Construction Fund.

8 (5) The Legislature hereby finds and determines that the projects  
9 funded from the Municipal Infrastructure Redevelopment Fund and the  
10 Building Renewal Allocation Fund are of critical importance to the State  
11 of Nebraska. It is the intent of the Legislature that the allocations and  
12 appropriations made by the Legislature to such funds or, in the case of  
13 allocations for the Municipal Infrastructure Redevelopment Fund, to the  
14 particular municipality's account not be reduced until all contracts and  
15 securities relating to the construction and financing of the projects or  
16 portions of the projects funded from such funds or accounts of such funds  
17 are completed or paid or, in the case of the Municipal Infrastructure  
18 Redevelopment Fund, the earlier of such date or July 1, 2009, and that  
19 until such time any reductions in the cigarette tax rate made by the  
20 Legislature shall be simultaneously accompanied by equivalent reductions  
21 in the amount dedicated to the General Fund from cigarette tax revenue.  
22 Any provision made by the Legislature for distribution of the proceeds of  
23 the cigarette tax for projects or programs other than those to (a) the  
24 General Fund, (b) the Nebraska Outdoor Recreation Development Cash Fund,  
25 (c) the Health and Human Services Cash Fund, (d) the Municipal  
26 Infrastructure Redevelopment Fund, (e) the Building Renewal Allocation  
27 Fund, (f) the Information Technology Infrastructure Fund, (g) the City of  
28 the Primary Class Development Fund, (h) the City of the Metropolitan  
29 Class Development Fund, (i) the Nebraska Public Safety Communication  
30 System Cash Fund, and (j) the Nebraska Health Care Cash Fund shall not be  
31 made a higher priority than or an equal priority to any of the programs

1 or projects specified in subdivisions (a) through (j) of this subsection.

2 Sec. 2. Section 77-4008, Reissue Revised Statutes of Nebraska, is  
3 amended to read:

4 77-4008 (1)(a) A tax is hereby imposed upon the first owner of  
5 tobacco products to be sold in this state.

6 (b) The tax on snuff shall be one dollar ~~forty-four cents~~ per ounce  
7 and a proportionate tax at the like rate on all fractional parts of an  
8 ounce. Such tax shall be computed based on the net weight as listed by  
9 the manufacturer.

10 (c) The tax on tobacco products other than snuff shall be forty-five  
11 ~~twenty~~ percent of (i) the purchase price of such tobacco products paid by  
12 the first owner or (ii) the price at which a first owner who made,  
13 manufactured, or fabricated the tobacco product sells the items to  
14 others.

15 (d) The tax on tobacco products shall be in addition to all other  
16 taxes.

17 (2) Whenever any person who is licensed under section 77-4009  
18 purchases tobacco products from another person licensed under section  
19 77-4009, the seller shall be liable for the payment of the tax.

20 (3) Amounts collected pursuant to this section shall be used and  
21 distributed pursuant to section 77-4025.

22 Sec. 3. Original section 77-4008, Reissue Revised Statutes of  
23 Nebraska, and section 77-2602, Revised Statutes Cumulative Supplement,  
24 2016, are repealed.

25 Sec. 4. Since an emergency exists, this act takes effect when  
26 passed and approved according to law.