

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 AMENDED

5 April 25, 2007

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## **H. 3567**

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9 Introduced by Reps. Rice, Gullick, Cotty and Agnew

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11 S. Printed 4/25/07--H.

[SEC 4/26/07 12:36 PM]

12 Read the first time February 21, 2007.

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**A BILL**

11 TO AMEND SECTION 12-21-620, CODE OF LAWS OF  
12 SOUTH CAROLINA, 1976, RELATING TO TAXATION ON  
13 CIGARETTES, SO AS TO INCREASE THE AMOUNT OF TAX  
14 ON EACH CIGARETTE FROM THREE AND ONE-HALF  
15 MILLS TO TWO CENTS; TO ADD SECTION 44-6-157 SO AS  
16 TO PROVIDE THAT THE REVENUE GENERATED FROM  
17 THE TAXATION ON CIGARETTES MUST BE USED TO  
18 EXPAND MEDICAID COVERAGE TO CHILDREN  
19 EIGHTEEN YEARS OF AGE AND YOUNGER WHOSE  
20 FAMILY INCOME DOES NOT EXCEED TWO HUNDRED  
21 PERCENT OF THE FEDERAL POVERTY LEVEL; AND TO  
22 CREATE THE HEALTH CARE TRUST FUND TO PROVIDE  
23 MEDICAID BENEFITS TO INDIVIDUALS WHOSE FAMILY  
24 INCOME DOES NOT EXCEED ONE HUNDRED PERCENT  
25 OF THE FEDERAL POVERTY LEVEL AND WHO ARE  
26 UNINSURED AND TO PROVIDE THAT REVENUE IN  
27 EXCESS OF THE CHILDREN'S MEDICAID COVERAGE  
28 FROM THE CIGARETTE TAX MUST BE CREDITED TO THE  
29 HEALTH CARE TRUST FUND; AND TO AMEND SECTION  
30 12-36-910, AS AMENDED, RELATING TO SALES TAXES  
31 GENERALLY, SO AS TO PROVIDE THAT AS OF JULY 1,  
32 2009, THE THREE PERCENT SALES TAX IS ELIMINATED  
33 ON UNPREPARED FOOD WHICH LAWFULLY MAY BE  
34 PURCHASED WITH UNITED STATES DEPARTMENT OF  
35 AGRICULTURE FOOD COUPONS, TO PROVIDE FOR  
36 CERTAIN GENERAL FUND TRANSFERS TO THE  
37 EDUCATION IMPROVEMENT ACT FUND FOR EACH  
38 FISCAL YEAR TO OFFSET EIA REVENUES LOST AS A  
39 RESULT OF THE LOSS OF SALES TAX ON THE SALE OF  
40 UNPREPARED FOOD, AND TO REDUCE THE SALES TAX  
41 ON UNPREPARED FOOD TO TWO PERCENT AS OF JULY 1,  
42 2007, AND ONE PERCENT AS OF JULY 1, 2008.

1 Amend Title To Conform

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3 Be it enacted by the General Assembly of the State of South  
4 Carolina:

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6 SECTION 1. Article 5, Chapter 21, Title 12 of the 1976 Code is  
7 amended by adding:

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9 "Section 12-21-625. (A) There is imposed a surtax on  
10 cigarettes subject to the tax imposed pursuant to Section  
11 12-21-620(1) in an amount equal to 1.5 cents on each cigarette.

12 (B) Notwithstanding another provision of law providing for the  
13 crediting of the revenues by license or other taxes, the revenue of  
14 the surtax imposed by this section must be credited to the  
15 Groceries' Sales Tax Relief Fund established pursuant to  
16 subsection (C) and used only for the purpose prescribed in  
17 subsection (C).

18 (C)(1) There is created the Groceries' Sales Tax Relief Fund  
19 into which must be deposited the revenue of the surtax collected  
20 pursuant to subsection (A). The fund must be separate and distinct  
21 from the general fund and may be used only for the purpose  
22 prescribed in this subsection. Earnings on investments from this  
23 fund must remain part of the separate fund and must not be  
24 deposited in the general fund, except as otherwise provided in this  
25 subsection.

26 (2) Monies in the fund must be used to reduce the state sales  
27 and use tax imposed on the gross proceeds of the sale or sales price  
28 of unprepared food that lawfully may be purchased with United  
29 States Department of Agriculture food coupons.

30 (3) Monies in the fund must be transferred by the State  
31 Treasurer to the general fund each fiscal year in the amount  
32 estimated by the Board of Economic Advisors to equal revenue not  
33 received as a result of the reduction of the sales and use tax on  
34 unprepared food as provided in this subsection.

35 (4) Monies not expended from the fund during a fiscal year  
36 must be carried forward to the succeeding fiscal year and used for  
37 the same purpose.

38 (D) For all purposes of reporting, payment, collection, and  
39 enforcement, the surtax imposed by this section is deemed to be  
40 imposed pursuant to Section 12-21-620."

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42 SECTION 2. Section 12-36-910(D) of the 1976 Code, as added  
43 by Act 388 of 2006, is amended to read:

1 “(D)(1) Notwithstanding the rate of the tax imposed pursuant  
2 to subsection (A) of this section or the rate of any other sales tax  
3 imposed pursuant to this chapter and the rate of any use tax  
4 imposed pursuant to this chapter, the sales and use tax on the gross  
5 proceeds of sales or sales price of unprepared food which lawfully  
6 may be purchased with United States Department of Agriculture  
7 food coupons is ~~three one and four-tenths~~ percent.

8 (2) There is transferred from the general fund of the State to  
9 the EIA Fund in fiscal year 2007-2008 the revenue estimated by  
10 the Board of Economic Advisors to equal EIA revenue not  
11 received as a result of the ~~two one and six-tenths~~ percent sales tax  
12 differential provided pursuant to ~~this~~ subsection (D)(1).

13 (3) Notwithstanding the rate of the tax imposed pursuant to  
14 subsection (D)(1), the sales and use tax on the gross proceeds of  
15 sales or sales price of unprepared food which lawfully may be  
16 purchased with United States Department of Agriculture food  
17 coupons is reduced to one and four-tenths percent effective  
18 January 1, 2008. There is transferred from the general fund of the  
19 State to the EIA Fund the revenue estimated by the Board of  
20 Economic Advisors to equal EIA revenue not received as a result  
21 of the loss of this sales tax revenue.”

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23 SECTION 3.A. Section 12-21-750 of the 1976 Code is amended  
24 to read:

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26 “Section 12-21-750. ~~All A~~ A retail ~~dealers~~ dealer in manufactured  
27 tobacco products, ~~shells, cartridges or playing cards~~ purchasing or  
28 receiving ~~such~~ the commodities from without the State, whether  
29 they ~~shall~~ have been ordered through a wholesaler or jobber in this  
30 State, by drop shipment or otherwise, ~~shall~~, within five days after  
31 receipt of them, shall mail a duplicate invoice of all ~~such~~ the  
32 purchases or receipts to the department. Failure to furnish  
33 duplicate invoices as required ~~shall be~~ is a misdemeanor and, upon  
34 conviction, ~~be~~ is punishable by a fine of not more than one  
35 hundred dollars for each offense or imprisonment for a period not  
36 exceeding thirty days.”

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38 B. Section 12-21-770 of the 1976 Code is amended to read:

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40 “Section 12-21-770. ~~Every~~ Any person, firm, corporation, club,  
41 or association who sells, stores, or receives for the purpose of  
42 distribution to any person, firm, corporation, club, or association  
43 ~~any shotgun or other shells, cartridges,~~ manufactured tobacco

1 products ~~or playing cards~~ otherwise taxable ~~under~~ pursuant to the  
2 provisions of this chapter ~~shall~~ must pay the tax at the rates  
3 provided in this article for the sale of ~~such articles~~ those products."

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5 SECTION 4. Article 5, Chapter 21, Title 12 of the 1976 Code is  
6 amended by adding:

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8 "Section 12-21-627. Notwithstanding any other provision of  
9 law providing for the crediting and use of the revenues of the  
10 license tax on tobacco products, in any fiscal year that the license  
11 tax on cigarettes is greater than seven cents a pack, the General  
12 Assembly shall appropriate one million dollars in the annual  
13 general appropriations act to the Department of Agriculture for  
14 research and promotion of healthy lifestyles with food grown in  
15 this State."

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17 SECTION 5. This act takes effect January 1, 2008.

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