

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 1531

Short Title: Cigarette Tax for Public Schools.

(Public)

Sponsors: Representative Miller.

Referred to: Finance.

June 5, 2002

A BILL TO BE ENTITLED

1 AN ACT TO INCREASE THE CIGARETTE TAX FROM FIVE CENTS A PACK TO
2 TWENTY-FIVE CENTS A PACK AND TO EARMARK THE RESULTING
3 REVENUES FOR PUBLIC SCHOOL CLASS SIZE REDUCTION, THE MORE
4 AT FOUR PROGRAM, AND TEACHER SALARIES.
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6 The General Assembly of North Carolina enacts:

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

8 "**§ 105-113.5. Tax on cigarettes.**

9 (a) A tax is levied on the sale or possession for sale in this State, by a distributor,
10 of all cigarettes at the rate of ~~two and one-half mills~~ one and one-fourth cents (1 1/4¢)
11 per individual cigarette.

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

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

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

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

25 "**§ 143-15E. Trust Fund for Public Schools.**

26 The Trust Fund for Public Schools is established as an interest-bearing, nonreverting
27 special trust account in the Office of State Budget and Management. Moneys in the
28 Trust Fund shall be held in trust and used solely to meet the public school needs of the

1 State. The Trust Fund shall be used to supplement and not to supplant existing State and
2 local funding for public schools.

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 pursuant to appropriation by the
10 General Assembly and only in accordance with the following requirements:

11 (1) Twenty-five percent (25%) must be used only to reduce class size in
12 the public schools.

13 (2) Twenty-five percent (25%) must be used only for the "More At Four"
14 pilot prekindergarten program for at-risk four-year-olds who are at risk
15 of failure in kindergarten.

16 (3) Fifty percent (50%) must be only for public school teacher salaries."

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