

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE DRH10106-LYx-58 (3/4)

Short Title: Cigarette Tax Increase for Public Schools. (Public)

Sponsors: Representative Miller.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE CIGARETTE TAX FROM FIVE CENTS A PACK TO FORTY CENTS A PACK AND TO EARMARK THE RESULTING REVENUES FOR PUBLIC SCHOOL CLASS SIZE REDUCTION, THE MORE AT FOUR PROGRAM, TEACHER SALARIES, SCHOOL CONSTRUCTION, AND SCHOOL FUNDS TO LOW-WEALTH COUNTIES.

The General Assembly of North Carolina enacts:

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

"§ 105-113.5. Tax on cigarettes.

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

This tax does not apply to any of the following:

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

(b) The Secretary shall, on a quarterly basis, credit to the Trust Fund for Public Schools in the Office of State Budget and Management the estimated amount of net proceeds of the tax levied under this section during the previous quarter attributable to the additional one-cent (1¢) increase in the tax rate enacted in 2003."

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

"§ 143-15.3E. Trust Fund for Public Schools.

The Trust Fund for Public Schools is established as an interest-bearing, nonreverting special trust account in the Office of State Budget and Management. Moneys in the

1 Trust Fund shall be held in trust and used solely to meet the public school needs of the
2 State. The Trust Fund shall be used to supplement and not to supplant existing State and
3 local funding for public schools.

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

10 Moneys in the Trust Fund shall be expended only pursuant to appropriation by the
11 General Assembly and only in accordance with the following requirements:

- 12 (1) Twenty percent (20%) must be used only to reduce class sizes in the
13 public schools.
- 14 (2) Twenty percent (20%) must be used only for the "More At Four"
15 prekindergarten program for at-risk four-year-olds who are at risk of
16 failure in kindergarten.
- 17 (3) Twenty percent (20%) must be used only for public school teacher
18 salaries.
- 19 (4) Twenty percent (20%) must be used only for construction of new
20 school buildings.
- 21 (5) Twenty percent (20%) must be used only for supplemental funding for
22 school districts in low-wealth counties."

23 **SECTION 3.** This act becomes effective July 1, 2003.