SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2982

As Amended by House Committee on Appropriations

Brief*

HB 2982 would prohibit distributors of cigarettes or roll-your-own tobacco products from affixing tax stamps on packages of cigarettes or paying the required tax on roll-your-own tobacco products unless the manufacturer of the product is party to the Master Settlement Agreement (MSA) or is putting money into escrow pursuant to model state legislation enacted in Kansas in 1999. The bill would require the Attorney General to keep a list of participating manufacturers and nonparticipating manufacturers who are putting money into escrow so that distributers would be able to verify which manufacturers are not complying with terms of the tobacco settlement agreement. A distributor would be able to check the list and if a particular manufacturer is not there, know that it would be a violation of the law to sell the manufacturer's product in Kansas. Distributors who violate provisions of HB 2982 would risk having their licenses revoked or suspended or having civil fines imposed by the Department of Revenue.

Background

HB 2982 pertains to the enforcement of the requirement that all manufacturers of cigarettes and roll-your-own tobacco products either have to be participating manufacturers under the MSA entered into by the Attorney General on behalf of the state in 1998 or, if they are nonparticipating manufacturers, are putting money into escrow to pay any judgments or settlements to the state for claims similar to those covered by the MSA.

***Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi

It is estimated that the tobacco settlement involves participating manufacturers who have more than 99 percent of the market share of tobacco sales. These companies have agreed to a series of restrictions on their advertising and will make payments to the states in perpetuity. Kansas adopted model legislation in 1999 designed to level the playing field and not give nonparticipating manufacturers a competitive advantage over participating manufacturers. That legislation requires nonparticipating companies to put into escrow an amount based on their cigarette sales equal to the amount they would have been required to pay had they participated in the tobacco settlement agreement.

A representative of the Attorney General appeared before the House Committee and requested the amendments that the Committee adopted. A representative of the R.J. Reynolds Tobacco Company submitted written testimony supporting the bill and the proposed amendments that were adopted. There were no opponents.

The Department of Revenue and the Attorney General's Office report no fiscal impact on their agencies if the bill passes.