

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 12, 2012

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Lake, Vice Chairman Collins, Representative(s) Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs, Killen, Burgoyne, Rusche

**ABSENT/
EXCUSED:** Reps. Woods(35), Killen

GUESTS: The sign-in sheet will be retained in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

Chairman Lake called the meeting to order at 9:02 am.

RS 21394: **Heidi Low**, American Cancer Society Cancer Action Network, presented **RS 21394**. The proposed legislation wants to protect youth from the dangers of tobacco and smoking. Nicotine is more addictive than heroin. Smoking causes cardiovascular damage and lung damage. The current cigarette tax in Idaho is 57 cents per pack. The legislation proposes an increase of \$1.25 per pack. This is an effective deterrent that will reduce the number of people currently smoking and stops people from starting to smoke. It is projected that passage of the proposed legislation will result in a 20% decrease in youth use. That translates to 12,400 youth who won't start smoking and 9,400 current smokers who will quit. That results into over \$400K in health benefit savings. Public support for the proposed legislation is strong. The polls show that 73% surveyed are in favor of \$1.50 per pack increase. Even 45% of current smokers support this tax increase.

Ms. Low said with the new revenue, which would be an additional \$47.3M, more tobacco cessation programs can be funded. Some of the additional revenue can go into the Millennium Fund to be used for health care costs related to tobacco use.

In response to Committee questions, **Ms. Low** stated that the tribes are neutral on this legislation. There is empirical data to show that a 10% increase in cost will prevent 6% of our youth from starting to smoke. The \$1.25 amount was chosen after polls were completed and a review was done on the costs of cigarettes in the surrounding states. The poll was performed by Bob Moore of Moore Information. In 2010, the State of Washington had a \$1 per pack increase. According to a national study, this caused their gross business sales to increase. This would hold true for the border convenience stores. The new revenue would go into the traditional Millennium Fund. The Millennium Fund Committee would not be involved in deciding how the funds will be appropriated. They can make a recommendation, but JFAC will have the final decision.

Youth manage to acquire 3.1M packs per year. There have been significant decreases in those numbers in state after state where tax increases have occurred. Internet controls for cigarette purchases are working. The fear of a small portion of people getting around the law is not a reason to not pass good legislation. Education, smoke-free policies and increased prices are the three-legged stool. A significant tax would encourage cessation, so lower income earners would have more money as well as savings in long-term health care costs. The proposed legislation provides cessation services.

MOTION: **Rep. Rusche** made a motion to introduce **RS 21394**.

Rep. Smith(24) invoked Rule 38 stating a possible conflict of interest because he smokes a package of pipe tobacco every two weeks, but that he would be voting on the legislation.

Committee discussion included the following statements: If revenues are targeted to individuals, then we should get rid of the personal property tax. Some people are over-thinking this issue. The proposed tax increase targets a specific group of individuals. This will decrease sales tax revenue. Why are we trying to stop youth when it is already illegal? Using tax policy to forward social engineering is wrong. The information from the health sector is motivated in health issues. Where is data from other states about contraband?

SUBSTITUTE MOTION:

Rep. Bayer made a substitute motion to return **RS 21394** to the sponsor.

Committee discussion continued with statements: Tobacco users should pay for tobacco related problems, not the general population. Tobacco companies have implemented a 71 cent per pack increase over last four years. We have an obligation to protect the health of the people of the State of Idaho. All the taxpayers in Idaho pay for these programs. The people who use the system should pay the bill. Just because you smoke doesn't mean you will be ill. This is not about creating the next tax. The concern is about paying for medical consequences using an entitlement program. We should stop paying for medical needs. There is nothing that directs money to be used to cover the consequences of smoking. Page 3 specifies this is only for health care related to tobacco use. We are asking a certain class of people to be treated differently than others.

VOTE ON SUBSTITUTE MOTION:

Roll call vote was requested on the substitute motion to return **RS 21394** to the sponsor. **Motion passed by a vote of 11 AYE, 5 NAY, 2 Absent/Excused. Voting in favor** of the motion: **Reps. Collins, Barrett, Moyle, Raybould, Schaefer, Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs. Voting in opposition** to the motion: **Reps. Roberts, Smith(24), Burgoyne, Rusche, Lake. Reps. Wood(35), Killen were absent/excused.**

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 10:11 am.

Representative Lake
Chair

Janet Failing
Secretary