

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1045**

**Bill Subtitle: TO DEFINE "CIGARETTE PAPER" FOR PURPOSES OF THE EXCISE TAXES LEVIED ON CIGARETTE PAPER.**

---

### **Basic Change :**

**Sponsor: Rep. Jett**

HB1045 creates a definition of "cigarette paper" under § 26-57-203 of the Tobacco Products Act of 1977. The definition for "cigarette paper" would include paper or a paper-like product that:

- Does not contain tobacco;
- Is intended to be used or may be used to roll cigarettes; and
- By advertising, design, or use, facilitates the use of tobacco or other substances for inhalation.

Under current law, § 26-57-801 levies an excise tax of 25¢ per package of approximately 32 sheets of cigarette paper. § 26-57-808 also levies an excise tax of 50¢ per package of approximately 32 sheets of cigarette paper. Arkansas law does not define "cigarette paper" for purposes of the excise tax levies under §§ 26-57-801 and -808.

The bill is effective on the first day of the calendar quarter following the effective date of the act, which is anticipated to be October 1, 2021.

### **Revenue Impact :**

HB1045 revenue impact is unknown. Market changes in the type and number of products available for smoking cigarettes and other substances that do not consist of paper are currently not reported to the Department of Finance and Administration.

### **Taxpayer Impact :**

Wholesalers and manufacturers of cigarette papers would have a definition of "cigarette paper" for purposes of compliance with §§ 26-57-801 and -808.

### **Resources Required :**

No additional resources are required

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Modification to the State's tax system would be required if changes are made to the cigarette paper return.

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1045**

**Bill Subtitle: TO DEFINE "CIGARETTE PAPER" FOR PURPOSES OF THE EXCISE TAXES LEVIED ON CIGARETTE PAPER.**

---

### **Other Comments :**

Arkansas currently has no definition of what constitutes a "cigarette paper." The introduction of herbal products and medical marijuana has resulted in alternative methods for smoking and inhaling products available to consumers and users of medical marijuana. HB1045 adds consistency and clarity to what would constitute a cigarette paper under current Arkansas law.

### **Legal Analysis :**

HB1045 creates a definition of "cigarette paper" under the Tobacco Products Act of 1977. The bill clarifies the products that are taxable as "cigarette paper." The bill defines "cigarette paper" to include paper or a paper-like product that does not contain tobacco and is intended to be used to roll cigarettes for smoking tobacco or other substances. Under the Tobacco Products Act of 1977, excise tax is levied on "cigarette papers" in addition to the excise tax levied on tobacco products. The bill clarifies that cigarette paper made of paper or paper-like products are taxable cigarette papers under the Tobacco Products Act of 1977 provided that all requirements of the definition are met. Therefore, the bill enables the excises taxes levied on cigarette papers to be administered in a predictable manner for taxpayers.