This form is required for the Legislative Program Committee to consider taking an advocacy position on an issue or legislative item.

**BILL NUMBER:**
ABX2 10

**AUTHOR:**
Assembly Member Bloom

**INTRO/AMEND DATE:**
July 16, 2015/ March 16, 2016

**AUTHOR’S POLITICAL PARTY:**
Democrat

**BILL STATUS:**
Senate Appropriations

1) **BILL SUBJECT:**
Local taxes: authorization: cigarettes and tobacco products

2) **FROM DEPARTMENT:**
CEO

3) **IS THIS ITEM SPECIFICALLY REFERENCED IN THE LEGISLATIVE PLATFORM?**
Not directly, but supported under Principle: Fiscal Stability

4) **WHICH POLICY-RELATED MATTER IS OF CONCERN WITH THIS BILL?**
Tax Revenue and public health

5) **HOW WOULD THIS BILL IMPACT THE COUNTY? (Current practices, responsibility, authority, pros/cons, affected programs and/or services, etc.)**
This bill has the potential to bring millions of dollars in new revenue to the County, would require a ballot measure to approve a new tax.

The bill would be a tax at the distributor level and not retail. The bill currently gives counties leeway on how they want to collect, and they could contract with BOE which would likely be the most cost effective way to administer the tax. It appears that Counties would retain the funds instead of being sent to the State first.

Estimating potential revenue is difficult. A rough estimate from the American Cancer Society, a $1 tax, estimates SB County potential at $10M based on smoking rates. But this is hard to truly gauge with a lot of factors that go into tobacco sales (e.g.: an additional tax could decrease sales).

If the legislation is passed, then it would go into effect on Jan 1, 2017, after which Counties could start a ballot process.

6) **IMPACT ON COUNTY PROGRAM:**

- SANTA BARBARA COUNTY IMPACT: Major
- STATEWIDE IMPACT: Major

**Explanation of Impacts:**
7) **WOULD THIS BILL IMPACT:**

   a. Efficient service delivery and operations?  □ YES  □ NO
   b. Fiscal stability?  □ YES  □ NO
   c. Inter-agency cooperation?  □ YES  □ NO
   d. Local control?  □ YES  □ NO
   e. Protection of safety net services?  □ YES  □ NO
   f. Community sustainability/economic stability?  □ YES  □ NO

**Additional Comments:**

8) **FISCAL IMPACT ON THE COUNTY:**

   □ Revenue Increase  □ Revenue Decrease  □ Unfunded Mandate
   □ Cost Increase  □ Cost Decrease  □ Undetermined
   □ None

**Additional Comments:**

9) **OTHER AGENCIES THAT SHOULD REVIEW THIS BILL:**

   Please list other agencies below:

10) **CSAC POSITION ON BILL:**

    □ Support  □ Oppose  □ Support if Amended
    □ Oppose unless Amended  □ Watch  □ No position taken

11) **OTHER LOCAL OR STATEWIDE ORGANIZATIONS THAT HAVE TAKEN A POSITION ON THIS BILL:**

    *(Indicate support or opposition for each)*

    Support:
    - American Academy of Pediatrics, California
    - American Cancer Society Cancer Action Network
    - American Heart Association/American Stroke Association
    - American Lung Association in California
    - Association of Northern California Oncologists
    - California Academy of Family Physicians
    - California Black Health Network
    - California Chronic Care Coalition
    - California Dental Association
    - California Medical Association
    - California Optometric Association
COUNTY OF SANTA BARBARA
LEGISLATIVE ANALYSIS FORM

California Pan-Ethnic Health Network
California Primary Care Association
California Society of Addiction Medicine
Community Action Fund of Planned Parenthood Orange and San Bernardino Counties
First 5 California
March of Dimes, California Chapter
Medical Oncology Association of California
Planned Parenthood Advocacy Project Los Angeles
Planned Parenthood Affiliates of California
Planned Parenthood Mar Monte
Planned Parenthood Northern California Action Fund
Planned Parenthood of the Pacific Southwest

Oppose:
California Chamber of Commerce
California Distributor Association
California Retailers Association
California Taxpayers Association
Howard Jarvis Taxpayers Association
National Federation of Independent Business

12) PROPOSED AMENDMENTS: (Attach separate sheet)

13) RECOMMENDATION:

☐ Active Support* ☐ Passive Support ☐ Support if Amended*
☐ Active Opposition* ☐ Passive Opposition ☐ Oppose unless Amended*
☐ Watch ☐ Concerns (Why? Explain in #6) ☐ No Position (Why?)

* Indicates that the department believes that the Board of Supervisors should take a formal position on this bill

Additional Comments:

14) LEGISLATIVE ANALYSIS FORM PREPARED BY: Joseph Toney

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ABX2-10 (Bloom)  
Local Tobacco Taxation  
Fact Sheet  
Updated: March 3, 2016

PURPOSE
AB X2-10 will help local jurisdictions to fight tobacco addiction and fund tobacco prevention and cessation services through targeted, local taxation of tobacco products.

SUMMARY
AB X2-10 would grant County Board of Supervisors the authority to place local tobacco tax measures on the ballot for a public vote.

EXISTING LAW
Currently, the Board of Equalization assesses a cigarette tax on each cigarette distributed in the State of California. The cigarette tax is paid by distributors through the use of stamps which are affixed to each package of cigarettes prior to distribution. The tax rate is comprised of a single tax and two surtaxes. Additionally, the tobacco products tax is imposed upon the distribution of tobacco products based on the wholesale cost of these products at a rate determined annually by the State Board of Equalization (BOE). Tobacco products include all forms of cigars, smoking tobacco, chewing tobacco, and snuff, as well as any other articles or products made of, or containing, at least 50 percent tobacco.

BACKGROUND
California has not increased its tobacco tax since 1998, and at 87 cents per pack of cigarettes, our state currently ranks 35th in the nation for tobacco tax rates. Under existing law, the Cigarette and Tobacco Products Tax imposes a tax on every distributor of cigarettes and tobacco products in the state, including the taxes required under the Tobacco Tax and Health Protection Act of 1988 (Proposition 99) and the California Families and Children Act of 1998 (Proposition 10).

Tobacco related illness kills approximately 40,000 Californians every single year. At least 30% of cancer deaths and 87% of all lung cancer deaths are caused by smoking. Nationally, one out of every five deaths is attributable to smoking.

Smoking is the leading cause of preventable death in the United States. It kills more people than alcohol, AIDS, car accidents, illegal drugs, murders and suicides combined. The Surgeon General projects that, without further action, 5.6 million youth age 0-17 alive today will die prematurely from tobacco use.

More than 600 local jurisdictions nationwide have their own cigarette tax rates or fees, bringing in more than $430 million in annual revenue that is used to reduce smoking rates, especially among youth, and to decrease smoking-caused death, disease, and costs. For every 10 percent increase in the price of cigarettes, there is a 4 percent reduction in overall cigarette consumption and a 6.5 percent reduction in youth consumption.

SUPPORT
American Cancer Society Cancer Action Network  
American Lung Association in California  
Association of Northern California Oncologists   
American Heart Association  
California Black Health Network  
California Chronic Care Coalition  
California Dental Association  
California Medical Association  
California Optometric Association  
California Pan-Ethnic Health Network  
California Primary Care Association  
California Society of Addiction Medicine  
Community Action Fund of Planned Parenthood of Orange and San Bernardino Counties  
First Five California  
Health Access California  
Medical Oncology Association of Southern California, Inc.  
Planned Parenthood Advocacy Project Los Angeles County  
Planned Parenthood Affiliates of California  
Planned Parenthood Mar Monte  
Planned Parenthood Northern California Action Fund  
Planned Parenthood Action Fund of the Pacific Southwest
OPPOSE

California Distributor Association
CalChamber
Howard Javis
AMENDED IN ASSEMBLY MARCH 3, 2016
CALIFORNIA LEGISLATURE—2015–16 SECOND EXTRAORDINARY SESSION

ASSEMBLY BILL No. 10

Introduced by Assembly Member Bloom
(Principal coauthor: Senator McGuire)

July 16, 2015

An act to amend Section 30111 and 30462 of, and to add Section 7284.8 to, the Revenue and Taxation Code, relating to local government.

LEGISLATIVE COUNSEL’S DIGEST

AB 10, as amended, Bloom. Local taxes: authorization: cigarettes and tobacco products.

The Cigarette and Tobacco Products Tax Law imposes a tax on every distributor of cigarettes and tobacco products at specified rates. That law specifies that the taxes imposed by that law are in lieu of all other state, county, municipal, or district taxes on the privilege of distributing cigarettes or tobacco products. The California Constitution prohibits the Legislature from imposing taxes for local purposes, but allows the Legislature to authorize local governments to impose them.

This bill would authorize, on and after January 1, 2017, the board of supervisors of a county or city and county to impose a tax on the privilege of distributing cigarettes and tobacco products in the county or city and county, including within an incorporated city within the county, and would make conforming changes. This bill would define “distributing” to mean making a sale of cigarettes or tobacco products in a county or city and county that has not been taxed by a cigarette or tobacco products tax ordinance of that county or city and county.
This bill would authorize the board of supervisors of a county or city and county to enter into an agreement with another county or city and county to share any startup and ongoing administrative costs of a tax imposed pursuant to that authorization. This bill also would authorize the board of supervisors of a county or city and county to contract with the State Board of Equalization to perform functions incident to the administration or operation of the cigarette and tobacco products tax ordinance of the county, with reimbursement for costs incurred, and would require the State Board of Equalization to perform those functions pursuant to that contract.

This bill also would require the State Board of Equalization to permit the examination of its records with respect to the tax imposed pursuant to the Cigarette and Tobacco Products Tax Law upon request by a county or city and county officer or employee to the extent necessary for the proper administration of that local cigarette and tobacco products tax, and authorizes the State Board of Equalization to require reimbursement. The bill would make knowingly accessing, using, or disclosing that confidential information without authorization a crime, thereby imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.


The people of the State of California do enact as follows:

SECTION 1. Section 7284.8 is added to the Revenue and Taxation Code, to read:

(a) Subject to the limitations of the California Constitution, a board of supervisors of a county or city and county may, in accordance with Article 3.7 (commencing with Section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, impose a tax on the privilege of distributing cigarettes and tobacco products in the county or city and county. The board of supervisors may impose this tax within an incorporated city within the county.
(b) For purposes of this section:
   (1) “Cigarette” means a cigarette, as defined in Section 30003.
   (2) “Tobacco products” means tobacco products, as defined in subdivision (b) of Section 30121.
   (3) “Distributing” means making a sale of cigarettes or tobacco products in a county or city and county that has not been taxed by a cigarette or tobacco products tax ordinance of that county or city and county.
   (4) “Sale” includes any transfer of title or possession for a consideration, exchange, or barter, in any manner or by any means whatever.
   (c) The board of supervisors of a county or city and county may enter into an agreement with another county or city and county to share any startup and ongoing administrative costs of a tax imposed pursuant to the authorization of this section.
   (d) The board of supervisors of a county or city and county may contract with the State Board of Equalization to perform functions incident to the administration or operation of the cigarette and tobacco products tax ordinance of the county or city and county, and the State Board of Equalization shall perform those functions pursuant to that contract. The county or city and county shall reimburse the State Board of Equalization for any costs incurred by the board in performing those functions.
   (e) (1) The State Board of Equalization shall permit the examination of any records of the board with respect to the tax imposed pursuant to the Cigarette and Tobacco Products Tax Law (Part 13 (commencing with Section 30001)) upon request by a county or city and county officer or employee to the extent necessary for the proper administration of a tax imposed pursuant to the authorization of this section.
   (2) The State Board of Equalization may require reimbursement for costs incurred in complying with a request made pursuant to paragraph (1).
   (3) Any person who knowingly accesses, uses, or discloses any confidential information provided by the State Board of Equalization pursuant this subdivision without authorization is guilty of a misdemeanor.
   (f) This section shall become operative on January 1, 2017.

SEC. 2. Section 30111 of the Revenue and Taxation Code is amended to read:
The taxes imposed by this part are in lieu of all other state, municipal, or district taxes on the privilege of distributing cigarettes or tobacco products.

This section does not prohibit the application of Part 1 (commencing with Section 6001), Part 1.5 (commencing with Section 7200), Part 1.6 (commencing with Section 7251), or Article 2 (commencing with Section 37021) of Part 17 to the sale, storage, use or other consumption of cigarettes or tobacco products.

SEC. 2. Section 30111 of the Revenue and Taxation Code is amended to read:

30111. (a) The taxes imposed by this part are in lieu of all other state, county, municipal, or district taxes on the privilege of distributing cigarettes or tobacco products.

This section does not prohibit the application of Part 1 (commencing with Section 6001), Part 1.5 (commencing with Section 7200), Part 1.6 (commencing with Section 7251), or Article 2 (commencing with Section 37021) of Part 17 to the sale, storage, use, or other consumption of cigarettes or tobacco products.

(b) This section shall become inoperative and shall be repealed on January 1, 2017.

SEC. 3. Section 30111 is added to the Revenue and Taxation Code, to read:

30111. (a) The taxes imposed by this part are in lieu of all other state, city, or district taxes on the privilege of distributing cigarettes or tobacco products. This section does not prohibit the application of Part 1 (commencing with Section 6001), Part 1.5 (commencing with Section 7200), or Part 1.6 (commencing with Section 7251) to the sale, storage, use, or other consumption of cigarettes or tobacco products.

(b) This section shall become operative on January 1, 2017.

SEC. 4. Section 30462 of the Revenue and Taxation Code is amended to read:

30462. (a) All money deposited in the Cigarette Tax Fund under this part is hereby appropriated, subject to the provisions of any budget bill heretofore or hereafter enacted, and shall, upon order of the Controller, be drawn therefrom and allocated for the following purposes:

(1) To pay the refunds authorized by this part.
(2) The balance remaining in the fund shall be transferred to the General Fund of this state on or before the last calendar day of each month.

(b) It is the intent of the Legislature that Section 30111 continues to prohibit the imposition of local taxes by any city, charter city, town, county, charter county, city and county, charter cities and counties, or other political subdivision or agency of this state, on the sale, use, ownership, holding, or other distribution of cigarettes and tobacco products except as provided by Section 30111. The Legislature finds and declares that the need for uniform statewide regulation and collection of cigarette taxes is a matter of statewide concern, and it is the Legislature’s intent to regulate the subject matter of cigarette taxes comprehensively and to occupy the field to the exclusion of local action except as specifically provided by Section 30111.

(c) This section shall become inoperative and shall be repealed on January 1, 2017.

SEC. 5. Section 30462 is added to the Revenue and Taxation Code, to read:

30462. (a) All money deposited in the Cigarette Tax Fund under this part is hereby appropriated, subject to the provisions of any budget bill heretofore or hereafter enacted, and shall, upon order of the Controller, be drawn therefrom and allocated for the following purposes:

(1) To pay the refunds authorized by this part.

(2) The balance remaining in the fund shall be transferred to the General Fund of this state on or before the last calendar day of each month.

(b) It is the intent of the Legislature that Section 30111 continues to prohibit the imposition of local taxes by any city, charter city, town, or political subdivision or agency of this state other than a county, charter county, city and county, and charter city and county, on the sale, use, ownership, holding, or other distribution of cigarettes and tobacco products except as provided by Section 30111. The Legislature finds and declares that the need for uniform statewide regulation and collection of cigarette taxes is a matter of statewide concern and it is the Legislature’s intent to regulate the subject matter of cigarette taxes comprehensively and to occupy the field to the exclusion of local action except as specifically provided by Section 30111.
(c) This section shall become operative on January 1, 2017.

SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.