

BILL ANALYSIS

Senate Research Center
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S.B. 1253
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Finance
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DIGEST

Currently, Texas law allows travelers to bring one carton of cigarettes per day per person across the border, free of tax. The second carton of cigarettes and subsequent cartons are taxed \$0.41 per cigarette pack, or \$4.10 per cigarette carton. The amount of tax-free cigarettes imported from Mexico into Texas is a considerable number, which hurts Texas retailers, because they cannot compete with the price of cigarettes sold across the border. The state tax of \$4.10 per carton is not collected on the first carton and export cigarettes sell for approximately \$5.00 less than domestic cartons. Additionally, the settlement between Texas and tobacco manufacturers uses only the sales of domestic cigarettes in the formula to determine how much money the state will receive each year. Every pack sold into Mexico and brought back into Texas displaces a domestic sale, and deprives the state of revenue it should receive under the tobacco settlement, because cigarettes sold for export are included in this determination. Texas could earn additional revenue, if all cigarettes brought into Texas were taxed. Preliminary estimates by the state auditor's office indicate that if half of the estimated smokers who cross the border cross with a tax-free carton of cigarettes, additional revenue of approximately \$17 million could be earned by taxing each cigarette carton. S.B. 1253 would require a person who imports a carton of cigarettes or less to pay the state tax of \$0.41 per cigarette pack, or \$4.10 per cigarette carton.

PURPOSE

As proposed, S.B. 1253 requires a person to pay a cigarette tax of \$0.41 per pack or \$4.10 per carton.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 154.024(a), Tax Code, to provide that a person who imports and personally transports 200 or fewer cigarettes into this state from another state is not required to pay the tax imposed by this chapter if the person uses the cigarettes and does not sell them or offer them for sale. Requires a person who imports and personally transports 200 or fewer cigarettes into this state from a foreign country to pay the tax imposed by this chapter and have affixed on each individual package of cigarettes a stamp to show payment of the tax.

SECTION 2. Amends Section 154.511, Tax Code, to provide that a person, other than a common carrier, commits an offense if the person knowingly transports cigarettes without a stamp affixed to each individual package, except as provided by Section 154.024(a).

SECTION 3. Effective date: September 1, 1999.
Makes application of this Act prospective.

SECTION 4. Emergency clause.