**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑21‑625 SO AS TO IMPOSE AN ADDITIONAL TAX ON CIGARETTES EQUAL TO 2.25 CENTS ON EACH CIGARETTE, TO PROVIDE A DEFINITION OF “CIGARETTE”, TO CREATE THE COMMUNITY MENTAL HEALTH FUND FOR THE SOUTH CAROLINA DEPARTMENT OF MENTAL HEALTH AND PROVIDE ITS SOURCES OF REVENUE INCLUDING THE REVENUES OF THE TAX IMPOSED PURSUANT TO THIS ACT AND TO PROVIDE FOR THE USES OF FUND REVENUES, TO PROVIDE A TAX CREDIT FOR AN INDIVIDUAL WHO MAINTAINS A QUALIFYING HEALTH SAVINGS ACCOUNT, TO REQUIRE THE BALANCE OF THE REVENUES OF THIS ADDITIONAL TAX FIRST BE CREDITED TO THE GENERAL RESERVE FUND AND THEREAFTER TO THE GENERAL FUND OF THE STATE TO OFFSET REVENUES LOST AS A RESULT OF THE HEALTH SAVINGS ACCOUNT TAX CREDIT; AND BY ADDING SECTION 12‑6‑3755 SO AS TO PROVIDE FOR A TAX CREDIT UP TO FIVE HUNDRED DOLLARS AGAINST THE STATE INCOME TAX FOR AN INDIVIDUAL WHO MAINTAINS A QUALIFYING HEALTH SAVINGS ACCOUNT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Article 5, Chapter 21, Title 12 of the 1976 Code is amended by adding:

“Section 12‑21‑625. (A) In addition to the tax imposed pursuant to Section 12‑21‑620(1), there is imposed an additional license tax equal to 2.25 cents on each cigarette made of tobacco or any substitute for tobacco.

(B) As used in this section, ‘cigarette’ means:

(1) any roll for smoking containing tobacco wrapped in paper or in any substance other than a tobacco leaf; or

(2) any roll for smoking containing tobacco, wrapped in any substance, weighing three pounds per thousand or less, however labeled or named, which because of its appearance, size, type of tobacco used in the filler, or its packaging, pricing, marketing, or labeling, is likely to be offered to, or purchased by, consumers as a cigarette described in item (1) of this subsection.

(C) Notwithstanding another provision of law providing for the crediting of license tax revenues, the revenue of the tax imposed pursuant to this section must first be used and is hereby appropriated as follows: There is created in the State Treasury the Community Mental Health Fund (Fund), which is separate and distinct from the general fund of the State and all other funds. The first ten cents of revenue derived from this tax must be credited to the Fund. Annually, the State Treasurer shall transfer the revenues in the Fund to the Department of Mental Health for support of its community mental health programs established pursuant to Section 44‑15‑10. Revenue in excess of that credited to the Fund must first be credited to the General Reserve Fund to the extent the General Reserve Fund needs replenishing, and after the General Reserve Fund is fully replenished, to the general fund of the State to offset revenues lost as a result of the health savings account tax credit established in subsection (D).

(D) There is created a credit against the state income tax of up to five hundred dollars annually for an individual who funds a health care savings account that qualifies for tax deferred and tax free treatment pursuant to the Internal Revenue Code, as provided in Section 12‑6‑3755.”

SECTION 2. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3755. An individual who funds a health care savings account that qualifies for tax deferred and tax free treatment pursuant to the Internal Revenue Code is entitled to a credit against the state income tax up to five hundred dollars, accruing a dollar credit for each five dollars funding the account.”

SECTION 3. This act takes effect upon approval by the Governor and applies for cigarettes received by wholesalers beginning on the first day of the month following the month in which this act is approved by the Governor.

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