**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑21‑626 SO AS TO IMPOSE A SURTAX ON EACH CIGARETTE IN AN AMOUNT OF ONE AND ONE‑HALF CENTS EFFECTIVE JULY 1, 2010, TO PROVIDE FOR USES OF THE REVENUE DERIVED FROM THIS SURTAX, TO PROVIDE FOR THE REPORTING, PAYMENT, COLLECTION, AND ENFORCEMENT OF THE SURTAX, AND TO DEFINE THE TERM “CIGARETTE” FOR PURPOSES OF THE LICENSE TAX ON CIGARETTES INCLUDING THIS SURTAX.

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 12‑21‑626. (A) Effective July 1, 2010, there is imposed a surtax on cigarettes subject to the tax imposed on cigarettes pursuant to Section 12‑21‑620(1) in an amount equal to one and one‑half cents on each cigarette.

(B) Notwithstanding another provision of law providing for the crediting of revenues of license or other taxes, the revenue of the surtax imposed pursuant to this section, after the other uses required herein, must be used and is hereby appropriated to restore and maintain a balance in the Medicaid Reserve Fund of the Department of Health and Human Services as provided pursuant to subsection (H).

(C) For all purposes of reporting, payment, collection, and enforcement, the surtax imposed by this section is deemed to be imposed pursuant to Section 12‑21‑620(1).

(D) For purposes of this provision and the license tax on cigarettes, ‘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 four 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).

(E) Each fiscal year, the revenue of one hundredths of a cent of the surtax on each cigarette shall be remitted to the Department of Health and Environmental Control to be used for smoking cessation and prevention programs.

(F) Each fiscal year, the revenue of five hundredths of a cent of the surtax on each cigarette shall be remitted to the Department of Agriculture to cause the marketing and branding of South Carolina agricultural crops or produce as being grown in South Carolina when offered for sale in retail establishments and to assist in relief from natural disasters affecting state‑grown crops.

(G) Each fiscal year, five million dollars of the revenue of the surtax on each cigarette shall be remitted to the Medical University of South Carolina Hollings Cancer Center to be used for tobacco‑related cancer research.

(H) There is created the South Carolina Medicaid Reserve Fund. This fund is separate and distinct from the general fund of the State and all other funds. Earnings and interest on this fund must be credited to it and any balance in this fund at the end of a fiscal year carries forward in the fund in the succeeding fiscal year. The fund may only be appropriated for the restoration and maintenance of effort of the Medicaid program as structured at the time this section takes effect, and must not be appropriated for any other purpose. The fund must not be used to expand any component of the existing Medicaid program.”

SECTION 2. This act takes effect on July 1, 2010.

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