

# TOBACCO TAXES

## LEGISLATOR NOTICE

The Legislative Services Division is required to offer a brief history on the subject matter of a bill draft request prior to drafting (5-4-105, MCA; [Chapter 309, Laws of 2017](#)). The history must include related legislation introduced over the last five sessions and hyperlinks to the bill, hearing information, and fiscal notes. The legislation links below open to the page showing the status and history of bills introduced on this topic in the past. The bill text and any related fiscal notes can be accessed through the link at the top of that page.

**Legislation can be complex and this history is not intended to be exhaustive. Please contact the drafter of the requested bill for more information.**

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## Background Materials and Research

**Topic Summary:** The taxation of tobacco is provided for in [Title 16, chapter 11](#). The taxes on tobacco products include:

- \$1.70 per package of 20 cigarettes (or the equivalent per cigarette if the package is a different size);
- 50% of the wholesaler's price of all tobacco products other than cigarettes and moist snuff; and
- 85 cents per ounce of moist snuff.

The tax is precollected and paid by the wholesaler but presumed to be a tax on the retail consumer. The wholesaler must affix to packages of cigarettes a stamp denoting the amount of the tax. Wholesalers may apply for a refund of the tax for the sale of cigarettes to a retailer within the boundaries of a Montana Indian reservation or to a member of a federally recognized Indian tribe, subject to a monthly quota based on population data.

After subtracting the amount necessary to purchase cigarette tax stamps, the revenue collected from the tax on cigarettes is deposited as follows:

- 44% in the state special revenue fund to the credit of the health and Medicaid initiatives account provided for in [53-6-1201](#);
- 8.3% or \$2 million, whichever is greater, in the state special revenue fund to the credit of the Department of Public Health and Human Services for the operation and maintenance of state veterans' nursing homes;
- 2.6% in the long-range building program account provided for in [17-7-205](#); and
- the remainder in the state general fund.

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Half of the revenue from the taxes on tobacco products other than cigarettes is distributed to the state general fund and the other half is distributed to the account in the state special revenue fund for health and Medicaid initiatives provided for in [53-6-1201](#).

The current tobacco tax rates have been in effect since the passage of a 2004 initiative.

### Legislative Services Division Materials:

[HJ 35: Tobacco Tax](#) -- Megan Moore, September 2019

[Video Gaming, Cigarette, and Tobacco Products Tax Collection](#) – Jeff Martin, July 1996

### Other Materials:

#### Legislative Fiscal Division

[Cigarette & Tobacco Taxes, Master Settlement Funds, Tobacco Trust Interest](#) – Terry Johnson, July 30, 2009

#### Department of Revenue

[Biennial Reports](#) (2006-2008 to present)

[Cigarette & Tobacco Products](#)

## Introduced Legislation

### 2021

No legislation.

### 2019

[House Bill No. 121](#) -- (H) Died in Standing Committee -- AN ACT PROVIDING FOR A DIRECT SHIPMENT LICENSE FOR TOBACCO PRODUCTS; REQUIRING A DIRECT SHIPMENT LICENSE FOR A PERSON WHO SHIPS TOBACCO PRODUCTS TO A PERSON OTHER THAN A LICENSED WHOLESALER OR RETAILER; ESTABLISHING A LICENSE FEE; PROVIDING FOR DISPOSITION OF THE LICENSE FEE; REQUIRING A PERSON WITH A DIRECT SHIPMENT LICENSE TO COLLECT TOBACCO TAXES; PROVIDING PENALTIES; EXPANDING RULEMAKING AUTHORITY; AMENDING SECTIONS 16-11-124, 16-11-129, AND 53-6-1201, MCA; REPEALING SECTION 16-11-128, MCA; AND PROVIDING AN EFFECTIVE DATE.

[Senate Bill No. 96](#) -- (S) Died in Standing Committee -- AN ACT REVISING THE TAXATION OF TOBACCO PRODUCTS; REVISING THE DEFINITION OF "TOBACCO PRODUCTS" TO INCLUDE VAPOR PRODUCTS; APPLYING THE TOBACCO TAX TO VAPOR PRODUCTS; EXPANDING RULEMAKING AUTHORITY; AMENDING SECTIONS 16-10-306 AND 16-11-102, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE.

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### 2017

[House Bill No. 304](#) – Chapter Number Assigned -- AN ACT PROVIDING FOR A STATUTORY APPROPRIATION TO THE DEPARTMENT OF REVENUE FOR THE PURCHASE OF CIGARETTE TAX STAMPS; AMENDING SECTIONS 10-2-417, 16-11-119, 17-7-502, AND 53-6-1201, MCA; AND PROVIDING AN EFFECTIVE DATE.

[Senate Bill No. 354](#) – (H) Adverse Committee Report Adopted -- A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE REGULATION AND TAXATION OF CIGARETTES, TOBACCO PRODUCTS, AND PRODUCTS THAT CONTAIN NICOTINE AND PROVIDING FOR THE EXPENDITURE OF REVENUE FROM THE TAX; PROVIDING A FUNDING MECHANISM TO SAVE HEALTH CARE SERVICES; REVISING THE DEFINITION OF "TOBACCO PRODUCTS"; INCREASING THE RATE OF TAX FOR THE PURCHASE OF CIGARETTES; INCREASING THE RATE OF TAX FOR NONCIGARETTE TOBACCO PRODUCTS; PROVIDING FOR TAXATION OF CERTAIN NICOTINE PRODUCTS; DECREASING WHOLESALER INSIGNIA DISCOUNTS; REVISING THE DISBURSEMENT OF THE TAX REVENUE FOR INCREASED HEALTH AND MEDICAID SERVICES; PROVIDING FOR WAGE INCREASES TO DIRECT CARE WORKERS THAT PROVIDE MEDICAID SERVICES; PROVIDING A TRANSITION PROVISION FOR REPORTING BY CIGARETTE WHOLESALERS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 16-10-306, 16-11-102, 16-11-111, 16-11-114, 16-11-119, AND 53-6-1201, MCA; AND PROVIDING EFFECTIVE DATES, AN APPLICABILITY DATE, AND A TERMINATION DATE.

### 2015

[House Bill No. 579](#) – (H) Bill Withdrawn per House Rule H30-50(3)(b) -- AN ACT PROVIDING FOR THE TAXATION OF VAPOR PRODUCTS; DEFINING "VAPOR PRODUCT"; PROVIDING THAT THE TAX ON VAPOR PRODUCTS IS BASED ON THE WEIGHT OF NICOTINE PER MILLILITER OF FLUID; REQUIRING THAT THE INVOICE FOR A VAPOR PRODUCT CONTAIN THE WEIGHT OF NICOTINE PER MILLILITER OF FLUID; AND AMENDING SECTIONS 16-11-102 AND 16-11-111, MCA.

### 2013

None

### 2011

[House Bill No. 224](#) – (H) 2<sup>nd</sup> Reading Not Passed -- AN ACT EXTENDING THE TAX ON TOBACCO PRODUCTS TO THE SALE FOR CONSUMPTION OF CIGARETTE ROLLING PAPERS AND PROHIBITING THE SALE OR DISTRIBUTION OF CIGARETTE ROLLING PAPERS TO PERSONS UNDER 18 YEARS OF AGE BY REVISING THE DEFINITION OF "TOBACCO PRODUCT" TO INCLUDE CIGARETTE ROLLING PAPERS; AMENDING SECTIONS 16-11-102 AND 16-11-302, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE.

### 2009

[House Bill No. 213](#) – Chapter Number Assigned -- AN ACT ESTABLISHING A SOUTHWESTERN MONTANA STATE VETERANS' HOME IN BEAVERHEAD, DEER LODGE, JEFFERSON, MADISON, POWELL, OR SILVER BOW COUNTY; ESTABLISHING A SITE SELECTION COMMITTEE; ALLOCATING A PORTION OF

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CIGARETTE TAX MONEY TO AN ACCOUNT FOR USE IN CONSTRUCTION OF THE SOUTHWESTERN MONTANA STATE VETERANS' HOME SUBJECT TO APPROPRIATION BY THE 62ND LEGISLATURE; AMENDING SECTIONS 10-2-401, 10-2-416, 16-11-119, 53-1-402, 53-1-413, 53-1-602, AND 53-6-1201, MCA; AND PROVIDING EFFECTIVE DATES.

[Senate Bill No. 317](#) – (S) Died in Standing Committee -- AN ACT INCREASING THE TAX ON TOBACCO PRODUCTS OTHER THAN CIGARETTES AND ON MOIST SNUFF; REVISING THE ALLOCATION OF THE TAX; AMENDING SECTIONS 16-11-111 AND 16-11-119, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

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