

## SALES TAXES

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### TOBACCO TAX EXEMPTIONS

#### **82.24.260(1c) CIGARETTE ALLOTMENT FOR INDIAN TRIBES**

Description: Certain quantities of untaxed cigarettes are allowed tax-free for consumption by tribal members on the reservations in Washington. The number of untaxed cigarettes is based on the number of enrolled tribal members living on the reservation and the national average per capita consumption rate.

Purpose: The U.S. Supreme Court has ruled that states do not have the authority to impose a cigarette tax upon enrolled tribal members living upon their own reservations.

Category/Year Enacted: Government. 1975

Primary Beneficiaries: Enrolled members of Indian tribes living on reservations in Washington.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 10,000	\$ 10,100	\$ 10,200	\$ 10,300
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

#### **82.24.290 CIGARETTES FOR MILITARY PERSONNEL**

##### **82.24.260(1b)**

Description: The cigarette tax does not apply to cigarettes sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose: Federal legislation, the Buck Act (4. USCS.107), prohibits states from imposing a cigarette tax upon members of the military and their dependents.

Category/Year Enacted: Government. 1940

Primary Beneficiaries: Active and retired military personnel and their dependents.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 25,300	\$ 25,600	\$ 25,800	\$ 26,100
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.

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### **82.24.295(1) TRIBAL CIGARETTE CONTRACTS**

Description: The cigarette tax does not apply to the sale, use, consumption, handling, possession, or distribution of cigarettes by Indian retailers if their tribes have entered into a cigarette tax contract with the state of Washington pursuant to RCW 43.06.455

Purpose: Cigarette contracts between tribal government and the state result in more tax revenues for both tribal governments and state and local jurisdictions. The tribes receive revenue from the imposition of their tribal taxes which is equivalent to the state tax. State and local jurisdictions receive increased tax revenue from the regular cigarette, sales and B&O taxes as the price incentive for non-tribal consumers to make purchases from Indian retailers is reduced.

Category/Year Enacted: Government. 2001

Primary Beneficiaries: State, local and tribal governments.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) Indeterminate.

### **82.26.040 TOBACCO PRODUCTS, CONSTITUTIONAL REASONS**

Description: The tobacco products tax does not apply to tobacco products (cigars, pipe tobacco, etc.) that the state may not tax under the federal constitution or U.S. laws. This has been interpreted under the Buck Act (4.USCS.107) to prohibit taxing tobacco products sold to branches of the U.S. armed forces at exchanges, commissaries or ships stores or to sales by authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration.

Purpose: Federal legislation prohibits states from imposing a tax on tobacco products purchased by members of the military and their dependents.

Category/Year Enacted: Government. 1940

Primary Beneficiaries: Active and retired military personnel and their dependents.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,293	\$ 1,305	\$ 1,316	\$ 1,328
Local taxes - no local tax levied				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? No.