

1-1 By: Hinojosa, Campbell S.B. No. 1505  
 1-2 (In the Senate - Filed March 8, 2017; March 20, 2017, read  
 1-3 first time and referred to Committee on Finance; May 5, 2017,  
 1-4 reported adversely, with favorable Committee Substitute by the  
 1-5 following vote: Yeas 10, Nays 4; May 5, 2017, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Nelson	X			
1-8 Hinojosa	X			
1-9 Bettencourt		X		
1-10 Birdwell		X		
1-11 Hancock		X		
1-12 Huffman	X			
1-13 Kolthorst	X			
1-14 Nichols	X			
1-15 Schwertner			X	
1-16 Seliger	X			
1-17 Taylor of Galveston		X		
1-18 Uresti	X			
1-19 Watson	X			
1-20 West	X			
1-21 Whitmire	X			

1-23 COMMITTEE SUBSTITUTE FOR S.B. No. 1505 By: Hinojosa

1-24 A BILL TO BE ENTITLED  
 1-25 AN ACT

1-26 relating to the application of certain taxes imposed on certain  
 1-27 tobacco products and to the allocation of certain revenue from  
 1-28 those taxes to increase funding for certain health care education  
 1-29 programs.

1-30 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-31 SECTION 1. Section 58A.002(b), Education Code, is amended  
 1-32 to read as follows:

1-33 (b) The permanent fund supporting graduate medical  
 1-34 education is a special fund in the treasury outside the general  
 1-35 revenue fund. The fund is composed of:

1-36 (1) money transferred or appropriated to the fund by  
 1-37 the legislature;

1-38 (2) money deposited to the credit of the fund under  
 1-39 Section 154.603, Tax Code;

1-40 (3) gifts and grants contributed to the fund; and  
 1-41 (4) ~~(3)~~ the returns received from investment of  
 1-42 money in the fund.

1-43 SECTION 2. Section 61.5391(b), Education Code, is amended  
 1-44 to read as follows:

1-45 (b) Money in the account may not be appropriated for any  
 1-46 purpose except ~~[-~~

1-47 ~~(1)]~~ to provide loan repayment assistance to eligible  
 1-48 physicians under this subchapter ~~[, or~~

1-49 ~~(2) to provide loan repayment assistance under~~  
 1-50 ~~Subchapter JJ if reallocated under Section 61.9826].~~

1-51 SECTION 3. Section 61.9823(c), Education Code, is amended  
 1-52 to read as follows:

1-53 (c) The total amount of loan repayment assistance provided  
 1-54 under this subchapter may not exceed the total amount of gifts and  
 1-55 grants accepted by the board for the repayment assistance and other  
 1-56 funds available to the board for the repayment assistance ~~[~~  
 1-57 ~~including any money reallocated under Section 61.9826].~~

1-58 SECTION 4. Subchapter JJ, Chapter 61, Education Code, is  
 1-59 amended by adding Section 61.9829 to read as follows:

1-60 Sec. 61.9829. NURSING FACULTY LOAN REPAYMENT ASSISTANCE

2-1 PROGRAM ACCOUNT. (a) The nursing faculty loan repayment  
 2-2 assistance program account is an account in the general revenue  
 2-3 fund. The account is composed of:  
 2-4 (1) gifts and grants contributed to the account under  
 2-5 Section 61.9827;  
 2-6 (2) earnings on the principal of the account; and  
 2-7 (3) other amounts deposited to the credit of the  
 2-8 account, including:  
 2-9 (A) legislative appropriations;  
 2-10 (B) money deposited to the credit of the account  
 2-11 under Section 155.2415, Tax Code; and  
 2-12 (C) money deposited to the credit of the account  
 2-13 under Section 154.603, Tax Code.  
 2-14 (b) Money in the account may be appropriated only to provide  
 2-15 loan repayment assistance to eligible nursing faculty under this  
 2-16 subchapter.

2-17 SECTION 5. Section 154.001, Tax Code, is amended by adding  
 2-18 Subdivisions (1-a) and (11-a) and amending Subdivision (2) to read  
 2-19 as follows:  
 2-20 (1-a) "Cigar" has the meaning assigned by Section  
 2-21 155.001.  
 2-22 (2) "Cigarette" means a roll for smoking~~+~~  
 2-23 [~~(A)~~] that is made of tobacco or tobacco mixed  
 2-24 with another ingredient and wrapped or covered with a material  
 2-25 other than tobacco~~+~~ and  
 2-26 [~~(B)~~] that is not a cigar. For purposes of this  
 2-27 chapter, the term includes a little cigar.  
 2-28 (11-a) "Little cigar" means a roll for smoking that:  
 2-29 (A) is made of tobacco or tobacco mixed with  
 2-30 another ingredient;  
 2-31 (B) contains an integrated cellulose filter or  
 2-32 other similar filter; and  
 2-33 (C) is wrapped with a material other than natural  
 2-34 leaf tobacco.

2-35 SECTION 6. Section 154.603, Tax Code, is amended to read as  
 2-36 follows:  
 2-37 Sec. 154.603. DISPOSITION OF REVENUE. (a) Subject to  
 2-38 Subsection (b), all proceeds from the collection of taxes imposed  
 2-39 by this chapter remaining after [~~After~~] the deductions authorized  
 2-40 [~~for the purposes provided~~] by Section 154.602 shall be deposited  
 2-41 to the credit of [~~this code, the revenue remaining of the first \$2~~  
 2-42 ~~of tax received per 1,000 cigarettes for cigarettes weighing three~~  
 2-43 ~~pounds or less per thousand and the first \$4.10 per 1,000 cigarettes~~  
 2-44 ~~of the tax received for cigarettes weighing more than three pounds~~  
 2-45 ~~per thousand is allocated:~~  
 2-46 [~~(1) 18.75 percent to the foundation school fund; and~~  
 2-47 [~~(2) 81.25 percent to~~] the general revenue fund.  
 2-48 (b) Beginning September 1, 2017, the comptroller shall  
 2-49 determine the increase in the amount of revenue derived from the tax  
 2-50 imposed under Section 154.021 that is attributable to the inclusion  
 2-51 of little cigar in the definition of cigarette. Each state fiscal  
 2-52 year, the comptroller shall deposit an amount of money equal to that  
 2-53 increase for the state fiscal year, less any amount required to be  
 2-54 deposited to the property tax relief fund under Section 154.6035,  
 2-55 as follows:  
 2-56 (1) two-thirds to the credit of the permanent fund  
 2-57 supporting graduate medical education; and  
 2-58 (2) the remainder to the credit of the nursing faculty  
 2-59 loan repayment assistance program account. [~~The revenue remaining~~  
 2-60 ~~after the deductions for the purposes provided by Section 154.602~~  
 2-61 ~~of this code and allocation under Subsection (a) of this section is~~  
 2-62 ~~allocated to the general revenue fund.]~~  
 2-63 SECTION 7. Section 155.001, Tax Code, is amended by  
 2-64 amending Subdivision (2) and adding Subdivision (9-a) to read as  
 2-65 follows:  
 2-66 (2) "Cigar" means a roll of fermented tobacco that is  
 2-67 wrapped in tobacco and the main stream of smoke from which produces  
 2-68 an alkaline reaction to litmus paper. For purposes of this chapter,  
 2-69 the term does not include a little cigar.

3-1 (9-a) "Little cigar" has the meaning assigned by  
3-2 Section 154.001.

3-3 SECTION 8. Section 155.2415, Tax Code, is amended to read as  
3-4 follows:

3-5 Sec. 155.2415. ALLOCATION OF CERTAIN REVENUE TO PROPERTY  
3-6 TAX RELIEF FUND AND CERTAIN OTHER FUNDS. (a) Notwithstanding  
3-7 Section 155.241, the proceeds from the collection of taxes imposed  
3-8 by Section 155.0211 shall be allocated as follows:

3-9 (1) the amount of the proceeds that is equal to the  
3-10 amount that, if the taxes imposed by Section 155.0211 were imposed  
3-11 at a rate of 40 percent of the manufacturer's list price, exclusive  
3-12 of any trade discount, special discount, or deal, would be  
3-13 attributable to the portion of that tax rate in excess of 35.213  
3-14 percent, shall be deposited to the credit of the property tax relief  
3-15 fund under Section 403.109, Government Code;

3-16 (2) the amount of the proceeds that is equal to the  
3-17 amount that would be attributable to a tax rate of 35.213 percent of  
3-18 the manufacturer's list price, exclusive of any trade discount,  
3-19 special discount, or deal, if the taxes were imposed by Section  
3-20 155.0211 at that rate, shall be deposited to the credit of the  
3-21 general revenue fund; and

3-22 (3) ~~[100 percent]~~ of the remaining proceeds;

3-23 (A) 98 percent shall be deposited to the credit  
3-24 of:

3-25 (i) ~~[(A)]~~ the physician education loan  
3-26 repayment program account established under Subchapter J, Chapter  
3-27 61, Education Code; or

3-28 (ii) ~~[(B)]~~ the general revenue fund, if the  
3-29 comptroller determines that the unencumbered beginning balance of  
3-30 the physician education loan repayment account established under  
3-31 Subchapter J, Chapter 61, Education Code, is sufficient to fund  
3-32 appropriations and other direct and indirect costs from that  
3-33 account for the fulfillment of existing and expected physician loan  
3-34 repayment commitments during the current state fiscal biennium; and

3-35 (B) the remainder shall be deposited to the  
3-36 credit of the nursing faculty loan repayment assistance program  
3-37 account established under Subchapter JJ, Chapter 61, Education  
3-38 Code.

3-39 (b) Proceeds deposited in accordance with Subsection  
3-40 (a)(3)(A)(ii) ~~[(a)(3)(B)]~~ may be appropriated only for health care  
3-41 purposes.

3-42 SECTION 9. Sections 61.9823(b) and 61.9826, Education Code,  
3-43 are repealed.

3-44 SECTION 10. The changes in law made by this Act to  
3-45 Subchapters J and JJ, Chapter 61, Education Code, apply beginning  
3-46 with loan repayment assistance awarded for the 2017-2018 academic  
3-47 year. Loan repayment assistance awarded for an academic year  
3-48 before the 2017-2018 academic year is governed by the law in effect  
3-49 immediately before the effective date of this Act, and the former  
3-50 law is continued in effect for that purpose.

3-51 SECTION 11. In addition to the substantive changes made by  
3-52 this Act, this Act conforms Section 154.603, Tax Code, to the method  
3-53 of allocating cigarette tax revenue in effect before the effective  
3-54 date of this Act. Section 11.04, Chapter 4 (S.B. 3), Acts of the  
3-55 72nd Legislature, 1st Called Session, 1991, enacted former Section  
3-56 403.094(h), Government Code, which abolished certain state fund  
3-57 dedications and resulted in the abolition of the allocation to the  
3-58 foundation school fund effective August 31, 1995.

3-59 SECTION 12. The change in law made by this Act does not  
3-60 affect tax liability accruing before the effective date of this  
3-61 Act. That liability continues in effect as if this Act had not been  
3-62 enacted, and the former law is continued in effect for the  
3-63 collection of taxes due and for civil and criminal enforcement of  
3-64 the liability for those taxes.

3-65 SECTION 13. This Act takes effect September 1, 2017.

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