

Tobacco Settlement

Michigan, along with 45 other states entered into a Master Agreement with the four largest tobacco manufacturers in 1998 (Philip Morris USA, Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company). Payments began in 2000 and are made in perpetuity. Estimated net master agreement revenue is \$245.4 million for FY 2024-25. Tobacco settlement and finance authority est. in PA 226 of 2005.

- **Major Funds the receive Tobacco Settlement Revenue:**
 - \$75.0 million in revenue goes to the 21st Century Jobs Trust Fund – which is used in the LEO budget for business attraction, community revitalization and entrepreneurship programing. Est. by PA 232 of 2005
 - \$17.5 million in revenue goes to the Countercyclical Budget and Economic Stabilization fund (BSF) until FY 2014-35 - created to pay the BSF back for the distribution of \$194.8 million from the BSF to the City of Detroit's retirement systems as part of the Detroit Bankruptcy proceedings. Est. by PA 186 of 2014. section 351 of the management and budget act, 1984 PA 431, MCL 18.1351.
 - The Community District Education Trust fund- only to be used to backfill redirected local property tax millages for the Community District, which replaced Detroit Public Schools - Est. by PA 193 of 2016.
 - \$72 million of tobacco settlement revenue is deposited into this fund, no more than \$672 million total can be in the fund. Amount began to be phased out, with \$41.0 million allocated in FY 2024-25 and no funds will be allocated in FY 2025-26.
 - **Merit Award Trust fund**- remaining Tobacco Settlement revenue. Estimated revenue for FY 2024-25 is \$58.8 million - Est. by PA 232 of 2005
 - A majority of Merit Award Trust fund dollars are allocated to Medicaid Long-Term Care (\$54.7 million)
- **Lines in Public Health budget that use Merit Award trust fund dollars:** Respite Care Program (Aging) (\$4.1 million)

Tobacco Tax

Six percent of proceeds shall be used to support health and quality of life for Michigan residents established by section 36 of article IX of the state constitution of 1963.

- PA 327 of 1993 Mi Tobacco Products Tax- est. below earmarks:
 - 2.4375% of the proceeds must be credited to the health and safety fund created in the health and safety fund act, 1987 PA 264, MCL 141.471 to 141.479.
 - 41.6200% of the proceeds must be credited to the state school aid fund established by section 11 of article IX of the state constitution of 1963.
 - 3.7500% of the proceeds shall be credited to the **Healthy Michigan fund** created under section 5953 of the public health code, 1978 PA 368, MCL 333.5953.
 - Fifty percent of the proceeds that are used for smoking prevention programs by DHHS to expand the free smokers quit kit program to include the nicotine patch or nicotine gum.

- \$3,000,000.00 to the Michigan state capitol historic site fund created in section 7 of the Michigan state capitol historic site act, 2013 PA 240, MCL 4.1947.

Tobacco Tax Rates		
Item	Tax Rate	Effective Date
Individual cigarettes	\$0.10 per stick	July 1, 2004
Pack of cigarettes	\$2.00 per pack	July 1, 2004
Other Tobacco Products (Cigars, non-cigarette smoking tobacco, and smokeless tobacco tax)	32% of wholesale price	July 1, 2004
Premium Cigars	32% if wholesale price \leq \$1.5625 50% if wholesale price \geq \$1.5625	November 1, 2012

Lines in Public Health budget that use Healthy Michigan fund dollars: Michigan Essential Health Provider, Chronic disease control and health promotion administration, Smoking prevention program, Family, maternal, and child health administration, Immunization program, Pregnancy prevention program, Minority health grants.

Tobacco Settlement

Michigan, along with 45 other states entered into a Master Agreement with four largest tobacco manufacturers in 1998 (Philip Morris USA, Reynolds Tobacco Company, Brown & Williamson Tobacco Corp, Lorillard Tobacco Company). Payments began in 2000 and are made in perpetuity. Estimated net master agreement revenue is \$269.8 million for FY 2024-25. Tobacco settlement and finance authority est. in PA 226 of 2005

\$17.5 million in revenue goes to the countercyclical budget and economic stabilization fund created- created to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. -PA 186 of 2014. section 351 of the management and budget act, 1984 PA 431, MCL 18.1351.

\$600 million statutorily earmarked for 21st Century Jobs Fund an economic development program administered by the Mi Strategic Fund and the Michigan Economic Development Corporation (MEDC)

The community district education trust fund-est by PA 193 of 2016 only to be used in lieu of local funding or the state funded portion of foundation allowances. \$72 million of tobacco settlement revenue is deposited into this fund, no more than \$672 million total can be in the fund

Merit award trust fund- rest of revenue estimated to be \$71 million revenue projected for FY25- est. by PA 193 of 2016

A majority of Merit Award Trust fund dollars are allocated to Medicaid Long-Term Care (\$88.2 million)- Treasury, State Police, DTMB, Attorney General

Lines in PH budget that use Merit Award trust fund dollars: Respite Care Program (Aging)

Tobacco Tax

PA 327 of 1993 Mi Tobacco Products Tax-

- 2.4375% of the proceeds must be credited to the health and safety fund created in the health and safety fund act, 1987 PA 264, MCL 141.471 to 141.479.
- 41.6200% of the proceeds must be credited to the state school aid fund established by section 11 of article IX of the state constitution of 1963.
- 3.7500% of the proceeds shall be credited to the **healthy Michigan fund** created under section 5953 of the public health code, 1978 PA 368, MCL 333.5953.
 - Fifty percent of the proceeds described in this subdivision that are used for smoking prevention programs shall be used by the department of health and human services to expand the free smokers quit kit program to include the nicotine patch or nicotine gum.
- 19.7625% of the proceeds must be disbursed as follows: For each fiscal year, \$3,000,000.00 to the Michigan state capitol historic site fund created in section 7 of the Michigan state capitol historic site act, 2013 PA 240, MCL 4.1947.
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Effective July 1, 2004 Cigarette tax rate - \$0.10 per individual stick or \$2.00 per pack of 20. Other Tobacco Products - Cigars, non-cigarette smoking tobacco, blunts, and smokeless tobacco tax rate is 32% of the

wholesale price which is the price charged by the manufacturer including the federal taxes before any discounts.

Effective November 1, 2012 Premium Cigars - Cigars with a wholesale cost of \$1.5625 or more per individual cigar are taxed at a rate of 50 cents per cigar. Cigars with a wholesale cost less than \$1.5625 each are taxed at 32% of the wholesale price.

Lines in PH budget that use Healthy Michigan fund dollars: Michigan Essential Health Provider, Chronic disease control and health promotion administration, Smoking prevention program, Family, maternal, and child health administration, Immunization program, Pregnancy prevention program, Minority health grants and contracts