Historical Tax Law Changes
Luxury Tax on Cigarettes and Tobacco

Laws 1933, 1st Special Session, Chapter 18 levied the first Luxury Tax on Cigarettes and Tobacco products in the State of Arizona. The tax rates established by this law are shown below:

2¢ on each 20 cigarettes or fractional part thereof
1¢ per ounce on smoking tobacco, snuff, fine cut chewing tobacco and related products
¼¢ per ounce on all cavendish, plug or twist tobacco
2¢ on each 20 small cigars or fractional part thereof, weighing not more than 3 pounds per thousand
1¢ on every 3 cigars weighing more than 3 pounds per thousand and retailing at 5¢ each or less
1¢ per cigar on cigars weighing more than 3 pounds per thousand and retailing at more than 5¢ each

The tax was paid for by the purchase of stamps that were affixed to each package or container of cigarettes and tobacco products and canceled prior to sale. Taxes were payable to the State Tax Commission prior to or at the time of the sale of the product. Of the total receipts, 96% was dedicated to the Board of Public Welfare and the remaining 4% was appropriated for the use of the State Tax Commission. The tax was a temporary tax and expired on March 1, 1935. (E - June 28, 1933)

Laws 1935, Chapter 14 extended the provisions of Laws 1933, 1st Special Session, Chapter 18 to May 1, 1935. (E - February 20, 1935)

Laws 1935, Chapter 78 permanently enacted the provisions of Laws 1933, 1st Special Session, Chapter 18, with respect to the Luxury Tax on Cigarettes and Tobacco products. The law also changed the distribution of luxury tax receipts. Of the total amount collected from the Luxury Tax on Liquor and Tobacco products, 4% was allocated to the "Luxury Tax Administration Fund" for use by the State Tax Commission and $5,000 per month was appropriated to the Governor's Relief Fund. During fiscal years 1935-36 and 1936-37, the sum of $3,000 was also appropriated to the State Auditor for use in auditing the State Board of Public Welfare. The balance of collections was distributed to the State Board of Public Welfare. (E - March 23, 1935)

Laws 1937, 2nd Special Session, Chapter 16 changed the distribution of collections from the luxury tax. Under the new law, the "Luxury Tax Administration Fund" continued to receive 4% of the total collections. The State Auditor's share was changed to $3,000 per month or any lesser amount that would defray the expenses of auditing the State Board of Social Security and Welfare. This change was to be effective July 1, 1937. The bill also allocated $60,000 per year to crippled children services beginning July 1, 1937 and eliminated the share that was deposited in the Governor's Relief Fund. The balance of receipts was dedicated to the State Board of Social Security and Welfare. (E - June 26, 1937)

Laws 1945, Chapter 51 provided that tax stamps purchased in payment of the luxury tax could be obtained by wholesalers or retailers at 95% of the face price. (E - March 9, 1945)

Laws 1946, 3rd Special Session, Chapter 12 changed the distribution of luxury tax receipts again. Under this law, all receipts from the Luxury Tax on Tobacco products were deposited with the State Treasurer and used for unemployment and welfare relief. (E - September 30, 1946)

Laws 1965, 3rd Special Session, Chapter 2 increased the tax on each 20 cigarettes or fractional part thereof from 2¢ to 6-1/2¢. In addition a Floor Stock Tax was levied which was to be effective only during calendar year 1965. This tax was set at a rate of 4-1/2¢ on each 20 cigarettes or fractional part thereof held by wholesalers and retailers on June 29, 1965. The Floor Tax was paid to the State Tax Commission on July 14, 1965. Collections from the 4-1/2¢ tax increase and the 4-1/2¢ Floor Tax were deposited in the General Fund and used for school equalization. The law also changed the purchase price of tax stamps from 95% of the face value to 98.5% of the face value. (E - June 29, 1965)

Laws 1967, 3rd Special Session, Chapter 18 increased the tax on each 20 cigarettes or fractional part thereof from 6-1/2¢ to 10¢. A Floor Stock Tax was levied at a rate of 3-1/2¢ on each 20 cigarettes or fractional part thereof held by wholesalers or retailers on the effective date of the act (March 23, 1968). The Floor Stock Tax was effective only during calendar year 1968 and was paid to the State Tax Commission by April 7 of that year. Collections from the 3.5¢ tax increase and the 3.5¢ Floor Tax were deposited in the General Fund and used for the central Arizona project and for school equalization and financial assistance. (E - March 23, 1968)

Laws 1970, Chapter 46 provided that qualified purchasers could defer payment for stamps until the 20th day of the month following the month in which the tax stamps were purchased. To qualify under this provision, wholesalers and retailers were required to furnish a bond equal to 2-1/2 times the monthly amount paid for tax stamps. The use of tax indicia (stamps) was eliminated on all tobacco products other than cigarettes. Instead, wholesalers and retailers of these products were required to pay the tax on or before the 15th day of the month following the month in which the tax accrued. (E - June 30, 1970)

NOTE: A constitutional amendment enacted in the election of November 7, 1972 prohibited political subdivisions of the state from levying a luxury tax as long as they received Urban Revenue Sharing Funds. (E - July 1, 1973)

Laws 1973, Chapter 8 authorized a discount on the price of tax stamps purchased in payment of the luxury tax on cigarettes. The price for the first $30,000 worth of stamps purchased by a wholesaler or retailer in any month was 96% of the face value. The price for the second $30,000 worth of stamps was 97% of face value. The price for all additional stamps was 98% of face value. (E - July 1, 1973)

Laws 1973, Chapter 123 created the Department of Revenue and transferred the responsibility for the collection of the tax from the State Tax Commission to the new Department. (E - July 1, 1974)

Laws 1974, Chapter 151 enacted a cigarette Floor Stock Tax which was effective for the calendar year 1974. The tax was levied at a rate of 3¢ on each 20 cigarettes or fractional part thereof held by wholesalers or retailers on July 1, 1974. The tax was payable to the Department of Revenue on or before July 16, 1974. Receipts were used for funding the Central Arizona Project and the State School Fund. (E - May 13, 1974)

Laws 1974, lst Special Session, Chapter 2 increased the tax on each 20 cigarettes or fractional part thereof to 13¢. Collections from 11¢ of the 13¢ tax were dedicated to the central Arizona project and the State School Fund. Collections from the remaining 2¢ tax continued to be deposited with the State Treasurer for use in providing welfare relief. (E - July 1, 1974)

Laws 1976, Chapter 66 eliminated the State School Fund but provided that the share of luxury tax collections formerly dedicated to this fund was still used for state school aid. (E - May 27, 1976)

Laws 1976, Chapter 158 provided that the share of luxury tax revenues formerly dedicated to the Central Arizona Project and for State School Aid was to be used for state school aid only. (E - September 23, 1976)

Laws 1981, Chapter 188 changed the Luxury Tax on Cigarettes and Tobacco products from a tax on retailers and wholesalers to a tax on distributors. The law also changed the due date for paying the tax on tobacco products (other than cigarettes) to the 1st day of the second month following the month in which the tax accrues. The interest rate on delinquent payments of the luxury tax on tobacco products was increased to 12% per year. (E - July 25, 1981)

Laws 1983, Chapter 4 changed the interest rate on delinquent tax payments to equal the rate established by Section 6621 of the Internal Revenue Code, compounded annually. (E - February 11, 1983)

Laws 1984, Chapter 336 accelerated the due date for the collection of certain luxury taxes. From and after April 30, 1984, the tax liability is due on or before the 20th day of the month next succeeding the month of accrual. Penalties of 10% are imposed upon taxpayers who fail to pay such tax within ten days after the due date.

A Cigarette Floor Tax of 1/10th¢ per cigarette was imposed on all cigarettes held by wholesalers on June 30, 1984.

Laws 1984, Chapter 13 prescribed new luxury tax rates. The following changes were made:

(1) Cigarettes increased to $.15 per 20 cigarettes
(2) Other tobacco increased to $.02 per ounce
(3) Cavendish and plug tobacco increased to $.005 per ounce
(4) Small cigars increased to $.04 per 20 cigars
(5) Other cigars increased to $.02 per cigar, if manufactured at retail at more than 5¢ each.

Laws 1990, Chapter 3, 3rd Special Session was the Tax Reform Act of 1990. This act increased the luxury tax on cigarettes from 15¢ to 18¢ per pack of 20 cigarettes. To implement the tax increase on cigarettes, a Floor Stock Tax of 3¢ per pack of 20 cigarettes was imposed on all cigarettes held by wholesalers on October 1, 1990. (EFA - September 30, 1990)

Laws 1992, Eighth Special Session, Chapter 2 extended the distribution of certain luxury tax revenues into the Corrections Fund until June 30, 2000. The original expiration date was June 30, 1994. (E - September 26, 1992)

Laws 1992, Chapter 55 revised the monthly purchase of cigarette luxury stamps needed to qualify for a discount:

(1) For the first $36,000 (previously $30,000) a rate of 96% of the face value applies.
(2) For the second $36,000 (previously $30,000) a rate of 97% of the face value applies.
(3) For purchases in excess of $72,000 a rate of 98% of the face value applies, except for purchases above $165,000 the Department of Revenue shall offset or recover the discount given for the first $72,000 worth of stamps purchased.

Also, the bond requirement for a licensed cigarette distributor was reduced from 2 ½ to two times the amount of current monthly stamp purchases. (E - September 30, 1992)

Laws 1995, Chapter 93 required all cigarettes subject to tax to have a luxury tax stamp affixed. Made it a Class 5 Felony for an unlicensed distributor to transport or willingly sell or offer for sale 10,000 or more unstamped or unlawfully stamped cigarettes. Made it a Class 5 Felony for any person to wilfully sell or offer for sale off the reservation cigarettes stamped for on-reservation sales. The possession or transportation in this state at any time by any person, other than a licensed distributor, of 10,000 or more cigarettes in an unstamped or unlawfully stamped condition is presumptive evidence that the cigarettes are for the purpose of sale and are subject to tax. A person convicted of an offense is permanently ineligible to hold a license permitting the sale of tobacco, cigars or cigarettes. (E - July 13, 1995)

Laws 1997, Chapter 26 allowed the Department of Revenue to enter into an interagency agreement with the Department of Transportation that authorizes Department of Transportation port-of-entry personnel to enforce the luxury tax on tobacco. (Effective July 21, 1997)

Laws 1997, Chapter 150 recodified Title 42 of the Arizona tax code, which regards property, transaction privilege, use, and luxury taxation. The bill made numerous technical changes, removed references to gender, and restructured and renumbered several statutes. It provided that the interpretation of the tax code is not to be changed solely due to changes made by the recodification. Immunities, exemptions, claims, proceedings, etc. that existed before the recodification are to remain in effect. (Effective January 1, 1999)