

AMENDMENTS TO LB1124

Introduced by Revenue.

1 1. Strike the original sections and insert the following new
2 sections:

3 **Section 1.** Section 77-2602, Revised Statutes Cumulative Supplement,
4 2024, is amended to read:

5 77-2602 (1)(a) The Legislature finds that:

6 (i) The State of Nebraska spends in excess of one hundred twenty
7 million dollars annually in medicaid expenses related to cancer, disease,
8 and illness caused by smoking;

9 (ii) Smoking related cancer, disease, and illness are preventable;
10 and

11 (iii) Medicaid costs paid by taxpayers account for more than twenty
12 percent of the State of Nebraska's General Fund appropriations and
13 continue to increase.

14 (b) It is the intent of the Legislature to direct a portion of the
15 cigarette tax revenue to be used for the purposes of medicaid.

16 (2) ~~(1)~~ Every stamping agent engaged in distributing or selling
17 cigarettes at wholesale in this state shall pay to the Tax Commissioner
18 of this state a special privilege tax. This shall be in addition to all
19 other taxes. It shall be paid prior to or at the time of the sale, gift,
20 or delivery to the retail dealer in the several amounts as follows: On
21 each package of cigarettes containing not more than twenty cigarettes,
22 one dollar and sixty-four cents per package; and on packages containing
23 more than twenty cigarettes, the same tax as provided on packages
24 containing not more than twenty cigarettes for the first twenty
25 cigarettes in each package and a tax of one-twentieth of the tax on the
26 first twenty cigarettes on each cigarette in excess of twenty cigarettes
27 in each package.

1 (3) ~~(2)~~ Beginning July 1, 2026 ~~October 1, 2004~~, the State Treasurer
2 shall place the equivalent of fifty-two ~~forty-nine~~ cents of such tax in
3 the General Fund. For purposes of this section, the equivalent of a
4 specified number of cents of the tax shall mean that portion of the
5 proceeds of the tax equal to the specified number divided by the tax rate
6 per package of cigarettes containing not more than twenty cigarettes.

7 (4) ~~(3)~~ The State Treasurer shall distribute the remaining proceeds
8 of such tax as follows:

9 (a) Beginning July 1, 1980, the State Treasurer shall place the
10 equivalent of one cent of such tax in the Nebraska Outdoor Recreation
11 Development Cash Fund. For fiscal year distributions occurring after
12 FY1998-99, the distribution under this subdivision shall not be less than
13 the amount distributed under this subdivision for FY1997-98. Any money
14 needed to increase the amount distributed under this subdivision to the
15 FY1997-98 amount shall reduce the distribution to the General Fund;

16 (b) Beginning July 1, 1993, the State Treasurer shall place the
17 equivalent of three cents of such tax in the Health and Human Services
18 Cash Fund to carry out sections 81-637 to 81-640. For fiscal year
19 distributions occurring after FY1998-99, the distribution under this
20 subdivision shall not be less than the amount distributed under this
21 subdivision for FY1997-98. Any money needed to increase the amount
22 distributed under this subdivision to the FY1997-98 amount shall reduce
23 the distribution to the General Fund;

24 (c) Beginning October 1, 2002, and continuing until all the purposes
25 of the Deferred Building Renewal Act have been fulfilled, the State
26 Treasurer shall place the equivalent of seven cents of such tax in the
27 Building Renewal Allocation Fund. The distribution under this subdivision
28 shall not be less than the amount distributed under this subdivision for
29 FY1997-98. Any money needed to increase the amount distributed under this
30 subdivision to the FY1997-98 amount shall reduce the distribution to the
31 General Fund;

1 (d) Beginning July 1, 2016, and every fiscal year thereafter, the
2 State Treasurer shall place the equivalent of three million eight hundred
3 twenty thousand dollars of such tax in the Nebraska Public Safety
4 Communication System Cash Fund. If necessary, the State Treasurer shall
5 reduce the distribution of tax proceeds to the General Fund pursuant to
6 subsection (3) ~~(2)~~ of this section by such amount required to fulfill the
7 distribution pursuant to this subdivision; ~~and~~

8 (e) Beginning July 1, 2016, and every fiscal year thereafter, the
9 State Treasurer shall place the equivalent of one million two hundred
10 fifty thousand dollars of such tax in the Nebraska Health Care Cash Fund.
11 If necessary, the State Treasurer shall reduce the distribution of tax
12 proceeds to the General Fund pursuant to subsection (3) ~~(2)~~ of this
13 section by such amount required to fulfill the distribution pursuant to
14 this subdivision; ~~and -~~

15 (f) Beginning July 1, 2026, and every fiscal year thereafter, the
16 State Treasurer shall place the equivalent of ninety-seven cents of such
17 tax in the Medicaid Expense Offset Cash Fund. If necessary, the State
18 Treasurer shall reduce the distribution of tax proceeds to the General
19 Fund pursuant to subsection (3) of this section by such amount required
20 to fulfill the distribution pursuant to this subdivision.

21 (5) ~~(4)~~ If, after distributing the proceeds of such tax pursuant to
22 subsections (3) ~~(2)~~ and (4) ~~(3)~~ of this section, any proceeds of such tax
23 remain, the State Treasurer shall place such remainder in the Nebraska
24 Capital Construction Fund.

25 (6) ~~(5)~~ The Legislature hereby finds and determines that the
26 projects funded from the Building Renewal Allocation Fund are of critical
27 importance to the State of Nebraska. It is the intent of the Legislature
28 that the allocations and appropriations made by the Legislature to such
29 fund not be reduced until all contracts and securities relating to the
30 construction and financing of the projects or portions of the projects
31 funded from such fund are completed or paid, and that until such time any

1 reductions in the cigarette tax rate made by the Legislature shall be
2 simultaneously accompanied by equivalent reductions in the amount
3 dedicated to the General Fund from cigarette tax revenue. Any provision
4 made by the Legislature for distribution of the proceeds of the cigarette
5 tax for projects or programs other than those to (a) the General Fund,
6 (b) the Nebraska Outdoor Recreation Development Cash Fund, (c) the Health
7 and Human Services Cash Fund, (d) the Building Renewal Allocation Fund,
8 (e) the Nebraska Public Safety Communication System Cash Fund, and (f)
9 the Nebraska Health Care Cash Fund, and (g) the Medicaid Expense Offset
10 Cash Fund shall not be made a higher priority than or an equal priority
11 to any of the programs or projects specified in subdivisions (a) through
12 (g) (f) of this subsection.

13 **Sec. 2.** The Medicaid Expense Offset Cash Fund is created. The fund
14 shall contain the money received pursuant to section 77-2602. The fund
15 shall be administered by the Department of Health and Human Services.
16 Money in the fund shall be used for state expenses incurred pursuant to
17 the Medical Assistance Act. Any money in the Medicaid Expense Offset Cash
18 Fund available for investment shall be invested by the state investment
19 officer pursuant to the Nebraska Capital Expansion Act and the Nebraska
20 State Funds Investment Act.

21 **Sec. 3.** Section 77-4008, Revised Statutes Supplement, 2025, is
22 amended to read:

23 77-4008 (1)(a) A tax is hereby imposed upon the first owner of
24 tobacco products to be sold in this state.

25 (b) The tax on snuff shall be forty-four cents per ounce and a
26 proportionate tax at the like rate on all fractional parts of an ounce.
27 Such tax shall be computed based on the net weight as listed by the
28 manufacturer.

29 ~~(c) The tax on an electronic nicotine delivery system containing~~
30 ~~three milliliters or less of consumable material shall be five cents per~~
31 ~~milliliter of consumable material and a proportionate tax at the like~~

1 ~~rate on all fractional parts of a milliliter.~~

2 ~~(c) (d)~~ The tax on an electronic nicotine delivery system ~~containing~~
3 ~~more than three milliliters of consumable material~~ shall be thirty ten
4 percent of (i) the purchase price of such electronic nicotine delivery
5 system paid by the first owner or (ii) the price at which the first owner
6 who made, manufactured, or fabricated the electronic nicotine delivery
7 system sells the item to others.

8 ~~(d) (e)~~ For electronic nicotine delivery systems in the possession
9 of retail dealers for which tax has not been paid, the tax under this
10 subsection shall be imposed at the earliest time the retail dealer: (i)
11 Brings or causes to be brought into the state any electronic nicotine
12 delivery system for sale; (ii) makes, manufactures, or fabricates any
13 electronic nicotine delivery system in this state for sale in this state;
14 or (iii) sells any electronic nicotine delivery system to consumers
15 within this state.

16 ~~(e) (f)~~ The tax on alternative nicotine products shall be twenty
17 percent of (i) the purchase price of such products paid by the first
18 owner or (ii) the price at which a first owner who made, manufactured, or
19 fabricated the product sells the items to others.

20 ~~(f) (g)~~ The tax on tobacco products not otherwise provided for in
21 this section shall be twenty percent of (i) the purchase price of such
22 tobacco products paid by the first owner or (ii) the price at which a
23 first owner who made, manufactured, or fabricated the tobacco product
24 sells the items to others.

25 ~~(g) (h)~~ The tax on tobacco products shall be in addition to all
26 other taxes.

27 (2) Whenever any person who is licensed under section 77-4009
28 purchases tobacco products from another person licensed under section
29 77-4009, the seller shall be liable for the payment of the tax.

30 (3) Amounts collected pursuant to this section shall be used and
31 distributed pursuant to section 77-4025.

1 **Sec. 4.** This act becomes operative on July 1, 2026.

2 **Sec. 5.** Original section 77-2602, Revised Statutes Cumulative
3 Supplement, 2024, and section 77-4008, Revised Statutes Supplement, 2025,
4 are repealed.

5 **Sec. 6.** Since an emergency exists, this act takes effect when
6 passed and approved according to law.