

LEGISLATURE OF NEBRASKA
ONE HUNDRED NINTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1124

Introduced by Sorrentino, 39.

Read first time January 20, 2026

Committee: Revenue

1 A BILL FOR AN ACT relating to revenue and taxation; to amend section
2 77-2602, Revised Statutes Cumulative Supplement, 2024; to state
3 intent relating to cigarette tax distributions; to increase the
4 cigarette tax and distribute tax proceeds as prescribed; to provide
5 an operative date; to repeal the original section; and to declare an
6 emergency.

7 Be it enacted by the people of the State of Nebraska,

1 **Section 1.** Section 77-2602, Revised Statutes Cumulative Supplement,
2 2024, is amended to read:

3 77-2602 (1)(a) The Legislature finds that:

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

7 (ii) Smoking related cancer, disease, and illness are preventable;
8 and

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

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

14 (2) (1) Every stamping agent engaged in distributing or selling
15 cigarettes at wholesale in this state shall pay to the Tax Commissioner
16 of this state a special privilege tax. This shall be in addition to all
17 other taxes. It shall be paid prior to or at the time of the sale, gift,
18 or delivery to the retail dealer in the several amounts as follows: On
19 each package of cigarettes containing not more than twenty cigarettes,
20 one dollar and sixty-four cents per package; and on packages containing
21 more than twenty cigarettes, the same tax as provided on packages
22 containing not more than twenty cigarettes for the first twenty
23 cigarettes in each package and a tax of one-twentieth of the tax on the
24 first twenty cigarettes on each cigarette in excess of twenty cigarettes
25 in each package.

26 (3) (2) Beginning July 1, 2026 October 1, 2004, the State Treasurer
27 shall place the equivalent of fifty-two forty-nine cents of such tax in
28 the General Fund. For purposes of this section, the equivalent of a
29 specified number of cents of the tax shall mean that portion of the
30 proceeds of the tax equal to the specified number divided by the tax rate
31 per package of cigarettes containing not more than twenty cigarettes.

1 (4) (3) The State Treasurer shall distribute the remaining proceeds
2 of such tax as follows:

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

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

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

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

1 distribution pursuant to this subdivision; and

2 (e) Beginning July 1, 2026 2016, and every fiscal year thereafter,
3 the State Treasurer shall place the equivalent of ninety-seven cents of
4 such tax plus an additional one million two hundred fifty thousand
5 dollars of such tax in the Nebraska Health Care Cash Fund. If necessary,
6 the State Treasurer shall reduce the distribution of tax proceeds to the
7 General Fund pursuant to subsection (3) (2) of this section by such
8 amount required to fulfill the distribution pursuant to this subdivision.
9 The amount that is equivalent to ninety-seven cents of such tax shall be
10 used for purposes of medicaid.

11 (5) (4) If, after distributing the proceeds of such tax pursuant to
12 subsections (3) (2) and (4) (3) of this section, any proceeds of such tax
13 remain, the State Treasurer shall place such remainder in the Nebraska
14 Capital Construction Fund.

15 (6) (5) The Legislature hereby finds and determines that the
16 projects funded from the Building Renewal Allocation Fund are of critical
17 importance to the State of Nebraska. It is the intent of the Legislature
18 that the allocations and appropriations made by the Legislature to such
19 fund not be reduced until all contracts and securities relating to the
20 construction and financing of the projects or portions of the projects
21 funded from such fund are completed or paid, and that until such time any
22 reductions in the cigarette tax rate made by the Legislature shall be
23 simultaneously accompanied by equivalent reductions in the amount
24 dedicated to the General Fund from cigarette tax revenue. Any provision
25 made by the Legislature for distribution of the proceeds of the cigarette
26 tax for projects or programs other than those to (a) the General Fund,
27 (b) the Nebraska Outdoor Recreation Development Cash Fund, (c) the Health
28 and Human Services Cash Fund, (d) the Building Renewal Allocation Fund,
29 (e) the Nebraska Public Safety Communication System Cash Fund, and (f)
30 the Nebraska Health Care Cash Fund shall not be made a higher priority
31 than or an equal priority to any of the programs or projects specified in

1 subdivisions (a) through (f) of this subsection.

2 **Sec. 2.** This act becomes operative on July 1, 2026.

3 **Sec. 3.** Original section 77-2602, Revised Statutes Cumulative
4 Supplement, 2024, is repealed.

5 **Sec. 4.** Since an emergency exists, this act takes effect when
6 passed and approved according to law.