

ADDENDUM

In the time since *Illinois Cigarette Tax and Tobacco Settlement* was printed, it has come to the Commission's attention that a few additions, changes, and clarifications need to be addressed. These modifications are addressed below.

Throughout the report, it is discussed that Illinois is one of nineteen states that has raised taxes on cigarettes and tobacco products in 2002 and two others are considering a tax increase. After the November 2002 elections, the state of Arizona voted to raise their cigarette tax 60-cents to \$1.18. The state of Missouri, however failed to pass their cigarette tax hike proposal. As a result, there are now twenty states that have raised taxes on cigarettes and/or tobacco products in 2002. It should be emphasized that Illinois did not raise taxes on tobacco products, but only on cigarettes.

The report states that the cigarette use tax is imposed on the privilege of using cigarettes in this State. To clarify, according to statute, "use" means "the exercise by any person of any right or power over cigarettes incident to the ownership or possession thereof, other than the making of a sale thereof in the course of engaging in a business of selling cigarettes and shall include the keeping or retention of cigarettes for use." The year that the cigarette use tax was first collected should read 1951 instead of 1985.

It is also reported that home-rule units can collect their own taxes on cigarettes. This is true, however, there are limitations to who can impose the tax. According to Illinois law (65 ILCS 5/8-11-6a), home-rule municipalities may impose "a tax based on the number or units of cigarettes or tobacco products (provided, however, that a home rule municipality that has not imposed a tax based on the number of units of cigarettes or tobacco products before July 1, 1993, shall not impose such a tax after that date)."

In most areas throughout Illinois, the total tax that a consumer would pay for cigarettes would be \$1.37 per pack (39-cent federal tax plus the 98-cent State tax). However, those areas with a county tax and/or city tax would pay more than this amount. As discussed in the report, cigarettes purchased in the City of Chicago consist of \$1.71 in various taxes. To clarify, this total tax amount is broken out in the following manner:

Federal Rate:	\$0.39 (per pack)
State Rate:	\$0.98
Cook County Rate:	\$0.18
<u>City of Chicago Rate:</u>	<u>\$0.16</u>
Total Tax Paid in Chicago:	\$1.71 (per pack)

Finally, the total amount that Illinois was originally projected to receive from the Tobacco Settlement Agreement was inadvertently listed as \$9.1 million instead of \$9.1 billion in the report's conclusion. Please note these changes when reading the report.