

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-SIXTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: April 30, 2017

BILL NUMBER: HB 2370 **STATUS AND DATE OF BILL:** Committee Substitute 04/27/2017

AUTHORS: House Osborn (Leslie) & Wallace Senate David & Fields

TAX TYPE (S): Tobacco Products Tax **SUBJECT:** Tax Rate

PROPOSAL: Amendatory & New

The measure proposes amendment to the Tobacco Products Tax Code to tax little cigars at the same rate as cigarettes.

The measure also proposes an additional tobacco products tax levy on big cigars in the amount of \$50.00 per thousand or \$0.05 per big cigar.

EFFECTIVE DATE: July 1, 2017 - Emergency

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 18: \$4,150,000 estimated increase in tobacco products tax collections

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 18: None

May 1, 2017
DATE

Rick Miller
DIVISION DIRECTOR

cjc

5-1-17
DATE

Reece Womack
REECE WOMACK, ECONOMIST

5/1/17
DATE

Jim McInt
FOR THE COMMISSION

Tax Little Cigars at the same rate as Cigarettes

The measure proposes amendment to the Tobacco Products Tax Code to tax little cigars at the same rate as cigarettes.

Little cigars are currently taxed at a rate of \$0.0036 per little cigar. In FY16, 21,071,919 little cigars were reported sold and \$758,589 collected in tax. Taxing the products falling within the “little cigar” category to the current tax rate of cigarettes would increase the rate to \$0.0515. The amendment would conform Oklahoma law to federal law that now taxes all “little cigars” at the same rate as cigarettes (effective April 1, 2009). For FY 18, an estimated increase in tobacco products tax in the amount of \$300,000¹ is projected to occur as a result of this measure.

Big Cigar rate increase [\$0.05 per cigar]

The measure proposes an additional tobacco products tax levy on big cigars in the amount of \$50.00 per thousand or \$0.05 per big cigar. The additional revenue attributable to this new levy are to be deposited to the General Revenue Fund.

Cigars are sold at a current tax rate of \$0.12 per cigar. In FY16, 83,990,199 big cigars were reported sold resulting in tax collections of \$10,078,824. A five cent increase per cigar would generate an estimated increase in tobacco products tax collections of \$3,850,000¹.

Net Revenue Impact

FY 18: \$4,150,000 estimated increase in tobacco products tax collections.

¹ Eleven months of tobacco products tax collections.