



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

SB0122 - Revise cigar tax based on a fixed amount per cigar (Hertz, Greg )

**Status:** As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$709,000)	(\$695,000)	(\$677,000)	(\$663,000)
State Special Revenue	(\$800,000)	(\$784,000)	(\$763,000)	(\$748,000)
<b>Net Impact-General Fund Balance:</b>	(\$709,000)	(\$695,000)	(\$677,000)	(\$663,000)

**Description of fiscal impact:** SB 122 defines a cigar and establishes a tax on cigars of 50% of the wholesale price or \$0.10 per cigar, whichever is less. The current tax rate for cigars is 50% of the wholesale price. A tax of \$0.10 per cigar is generally always less than a tax of 50% of the wholesale price, so this bill would reduce cigar tax revenue. After tribal revenue-sharing agreements, half of cigar tax revenue is distributed to the general fund and half is distributed to the Department of Public Health and Human Services for health and Medicaid initiatives.

### FISCAL ANALYSIS

**Assumptions:**

1. According to data aggregator Statista, about 15.5 billion cigars were sold worldwide in calendar year 2022. Assuming the share of Montana cigar consumption is equal to its share of population, about 2,176,000 cigars were sold in Montana in calendar year 2022.
2. 2,176,000 cigars at \$0.10 per cigar is \$217,600 in tax revenue from cigars under this bill in 2022.
3. Currently, cigars are taxed under the umbrella of other tobacco products (OTP), which includes moist snuff, pipe tobacco, and all other tobacco products besides cigarettes. It is estimated that about 15% of total tax revenue from OTP is from cigars.

- HJ 2 estimates the growth rate of OTP revenue. These rates were applied to the 15% share of OTP that comes from cigars under current law and the \$217,600 of estimated 2022 revenue under SB 122. The following table contains the HJ 2 growth rates, total OTP tax revenue, the portion of OTP that comes from cigars, and the difference between current law and SB 122. The estimated tax revenue per cigar under current law is \$0.82 versus \$0.10 under SB 122.

FY	Growth rate	HJ 2 Total OTP	Cigar Tax Current Law	Cigar Tax SB 122	Difference
2023	-2.3%	\$11,643,878	\$1,746,582	\$212,595	(\$1,533,986)
2024	-1.6%	\$11,457,576	\$1,718,636	\$209,194	(\$1,509,443)
2025	-2.1%	\$11,216,967	\$1,682,545	\$204,801	(\$1,477,744)
2026	-2.5%	\$10,936,543	\$1,640,481	\$199,681	(\$1,440,801)
2027	-2.1%	\$10,706,875	\$1,606,031	\$195,487	(\$1,410,544)

- After tribal revenue-sharing agreements of about 6%, 50% of the remaining revenue is distributed to the general fund and 50% is distributed to the Department of Public Health and Human Services for health and Medicaid initiatives.
- Costs associated with this bill are expected to be minimal and will be absorbed by the department.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
TOTAL Expenditures	\$0	\$0	\$0	\$0
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<b><u>Revenues:</u></b>				
General Fund (01)	(\$709,000)	(\$695,000)	(\$677,000)	(\$663,000)
State Special Revenue (02)	(\$800,000)	(\$784,000)	(\$763,000)	(\$748,000)
TOTAL Revenues	(\$1,509,000)	(\$1,479,000)	(\$1,440,000)	(\$1,411,000)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$709,000)	(\$695,000)	(\$677,000)	(\$663,000)
State Special Revenue (02)	(\$800,000)	(\$784,000)	(\$763,000)	(\$748,000)

NO SPONSOR SIGNATURE

Sponsor's Initials

1/12/23

Date



Budget Director's Initials

1-11-23

Date