

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0478

HB 318-FN-A, *relative to a tax on premium cigars.*

House Ways & Means

This bill amends RSA 78:1 by removing the exemption for premium cigars from the Tobacco Tax and imposing a tax on premium cigars of 15% of the wholesale sales price.

Premium cigars are cigars made entirely by hand of all natural tobacco leaf, hand constructed and hand wrapped, weighing more than 3 pounds per 1000 cigars, and kept in a humidor.

Under this proposed legislation, cigars that currently meet the definition of “premium cigar” will be taxed at a rate of 15% of the wholesale sales price, beginning on the effective date of July 1, 2017.

The elimination of the exception to the Tobacco Tax for the sale of premium cigars and the imposition of a tax of 15% of the wholesale sales price will result in an indeterminable increase in State revenues. The DRA does not have complete data on the sale of premium cigars that are currently excluded from the Tobacco Tax. NH does not currently impose a tobacco tax or licensing requirement on the sale of premium cigars. Wholesalers who sell tobacco products other than premium cigars in NH are required to file a monthly return that requires the wholesaler to report their sale of both taxable and non-taxable premium cigars. However, if the seller sells only premium cigars and no other tobacco product, no report of sales is made. Licensed wholesalers reported the sale of \$524,786 in premium cigars in FY 2016. As a result, had premium cigars been taxable in FY 2016 at a rate of 15% of the wholesale sales price, an additional \$78,718 in Tobacco Tax revenue would have been collected. However, this figure should be considered a minimum fiscal impact because it does not account for the sale of premium cigars by sellers not currently required to become licensed by the DRA and file tobacco tax returns, namely those sellers who do not sell any tobacco products other than premium cigars.

The DRA would be responsible for updating all necessary tax return forms and electronic management systems related to this bill. These updates would include making adjustments to forms showing the new proposed tax on premium cigars. Appropriate updates to policies and procedures will be implemented prior to the effective date of this bill. The proposed legislation could be administered by the DRA without any additional costs.

The DRA believes that to fully effectuate the intent of the proposed legislation, establishments who sell only premium cigars and are therefore not currently required to be licensed under the RSA 78 Tobacco Tax statute, must now become licensed. In order to achieve licensing of establishments that sell only premium cigars, the RSA 78:1, XIV definition of tobacco product should be amended to no longer exclude premium cigars.