

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

17-0623

HB 333-FN, *removing the exemption for premium cigars from the tobacco tax.*

House Ways & Means

This bill amends RSA 78:1 by removing the exemption for premium cigars from the Tobacco Tax and by adding cigars to the definition of Tobacco.

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.

Cigars that do not currently meet the definition of a "premium cigar" or the definition of a "cigarette" under RSA 78:1, XVII are taxed at the rate for OTP, which is currently 65.03% of the wholesale sales price. Under this proposed legislation, DRA assumes that all cigars that currently meet the definition of "premium cigar" will not meet the definition of "cigarette" and will therefore be taxed as OTP at a rate of 65.03% 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 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. New Hampshire 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 New Hampshire are required to file a monthly return to report the 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, an additional \$341,268 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 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.