

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

23-0692.0

**HB 510**, *relative to removing the exemption for premium cigars from the tobacco tax.*

House Ways and Means

Sections 1 through 4 of the proposed legislation amends RSA 78 to repeal the tobacco tax exemption on the sale of premium cigars in New Hampshire. The effective date of the exemption repeal is July 1, 2023 (See Technical or Mechanical Defects Section).

The proposed legislation would not result in any additional administrative costs that could not be absorbed in the DRA operating budget. The DRA assumes that the Other Tobacco Product (“OTP”) rate of 65.03% of the wholesale price will be applied to premium cigars.

The fiscal impact of this proposed legislation is an indeterminable increase to the General Fund starting in FY 2024. The Department cannot estimate the impact on revenues because it does not have complete data with respect to the wholesale sales price of premium cigars sold or distributed in New Hampshire. Wholesalers who sell or distribute tobacco products other than cigarettes in New Hampshire are required to secure a license and file monthly returns. They also report on their returns the “total wholesale sales price of all premium cigars sold or distributed in New Hampshire.” However, if a person sells or distributes only premium cigars, they are not required to secure a license and file returns, or to otherwise provide sales information.

Licensed wholesalers reported on their FY 2022 returns a total wholesale price for premium cigars of \$1,487,548.62. which at 65.03%, increase revenues by \$967,000 (rounded to the nearest \$1,000.) However, as described above, this calculation does not include all premium cigars sold or distributed in New Hampshire. It is based on incomplete data.

The effective date of the proposed legislation is July 1, 2023. OTP revenue is remitted in the month following a taxable period. This proposed legislation therefore would not begin to impact revenue until August 2023, resulting in less revenue the first year of applicability. Therefore, the DRA estimated revenue for taxable period June 2023 and determined the FY 2024 revenue to be approximately \$139,000 less than \$967,000, or \$828,000.

As the effective date of July 1, 2023 may occur before the proposed legislation becomes law, the proposed legislation may also not allow sufficient time to notify taxpayers, make any necessary forms changes, and complete possible rulemaking.