

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 390** HLS 25RS 597
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 20, 2025 5:34 PM	Author: LANDRY, MANDIE
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Cigarette Tax increase	

TAX/TOBACCO TAX OR +\$50,000,000 GF RV See Note Page 1 of 1
 Levies an additional tax on cigarettes

Present law imposes an excise tax on cigarettes of \$1.08 per 20-pack and dedicates 4 cents per pack to each of the Tobacco Regulation Enforcement Fund and the Tobacco Tax Healthcare Fund.

Proposed law retains current law and increases the tax on cigarettes by 33¢ per 20-pack, to a new tax rate of \$1.41 per 20-pack. Inventories of stamps and stamped products are not subject to the tax increase proposed by this bill and will require an inventory. Taxes on all other tobacco products are unchanged.

Effective for the period beginning July 1, 2025.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$200,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

LDR may incur costs of \$52,750 for programming, testing and system development costs, including form revisions. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

In the past, when the cigarette tax was raised, sales were inflated in the months prior to the increase and slowed in the months immediately following the increase as dealers stockpiled then sold inventory purchased under the lower rates. It is expected that this increase will yield similar results with taxes increasing in the last months of FY 25 and waning in the early months of FY 26.

Using the official forecast for tobacco tax and assuming 75% is derived from cigarettes, raising the cigarette tax by 31% to \$1.41 per pack could increase SGF revenue by about \$50 M annually, assuming no buyer's response to a 31% price increase. It is likely that purchases will decline as consumers find alternatives to cigarettes. It is also likely that the stockpiling will delay the increase in collections a few months into FY 26, the first year of effectiveness.

Four cents of the cigarette tax is dedicated to each of the Tobacco Tax Regulation Fund and the Tobacco Tax Healthcare Fund. The impact to dedicated funds would be predicated upon the behavioral response to the price increase since the dedication is 8 cents per pack sold. If fewer cigarettes are sold, SGF may still increase by a smaller amount, but the dedicated funds would receive a smaller amount than under current law. If cigarette consumption remains the same, the dedicated funds would receive the same amount as under current law.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger
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Legislative Fiscal Officer