



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 325** HLS 25RS 771  
Bill Text Version: **REENGROSSED**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> May 28, 2025	11:36 AM	<b>Author:</b> BRYANT
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> Tobacco Tax Rate for Cigars		<b>Analyst:</b> Deborah Vivien

TAX/TOBACCO TAX RE -\$10,000,000 GF RV See Note Page 1 of 1  
Provides for the rate of tax levied on certain cigars

Current law taxes premium cigars at a rate of 20% of the invoice price for cigars invoiced by manufacturers at more than \$120 per thousand, while cigars invoiced at \$120 per thousand or less are taxed at 8% of the invoice price with proceeds flowing to the state general fund.

Proposed law retains current law for cigars invoiced by the manufacturer up to \$2,500 per thousand and lowers the tax cigars priced at \$2,500 or more per 1,000 (\$2.50 each or more) at a fixed 50 cents per cigar instead of 20% of manufacturer’s invoice from January 1, 2026 through December 31, 2027 at which time the tax rate will revert back to 20% of manufacturer’s invoice price. The new tax rate will apply to cigar products purchased by retail and wholesale dealers on and after July 1, 2026 on all inventory acquired outside of the dealer-reported inventory as of 12/31/25.

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


REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	<b>(\$5,000,000)</b>	<b>(\$10,000,000)</b>	<b>(\$5,000,000)</b>	\$0	\$0	<b>(\$20,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>(\$5,000,000)</b>	<b>(\$10,000,000)</b>	<b>(\$5,000,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$20,000,000)</b>

**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**  
The bill does not impact cigars invoiced less than \$2,500/1,000 or \$2.50 cents per cigar. At \$2.50 per cigar, the 20% tax equals 50 cents with the tax increasing with the price of the cigar. The bill decreases the rate for cigars priced at more than \$2.50 cents per cigar but only for 2 years between January 1, 2026, and December 31, 2027, (half of FY 26 and FY 28 and all of FY 27). According to The Tax Foundation, the average tax on a premium cigar for LA is \$1.18 per cigar implying an average price of \$5.90 using the 20% tax rate. Thus, the bill may lower tax collections and SGF by an estimated 68 cents per cigar (committee testimony indicates that average cigar price may be closer to \$12 per cigar which could more than double the revenue loss estimate in this note). With no data to determine the taxes generated by cigars sold for less than \$2.50, no adjustments can be made to the estimates, particularly with an anticipated average price well above \$2.50 and a reduction of 1/3 in the estimated revenue loss based on unknowns (from \$14.4M to \$10M as explained below). The fiscal note assumes that most taxes are generated by sales of cigars priced above \$2.50.

A second perspective would show that, at the current 20% rate, a 50 cents tax equates to an invoice price of \$2.50 per cigar. To the extent that premium cigars are sold at prices higher than \$2.50, SGF revenue would decrease. If the average price of a premium cigar in LA is \$5.90, the bill would be expected to reduce SGF revenue. The tax system at LDR does not capture the number of cigars sold, but FY 24 cigar tax collections were \$25 M, which, at \$1.18 per cigar (Tax Foundation estimate), implies that about 21.2 M premium cigars were sold in the state. If each cigar resulted in a 68 cent loss in tax revenue, the potential outcome may be a \$14.4M reduction in state general fund. However, due to the uncertainty in numbers of cigars sold and average tax and price estimates, the actual SGF revenue loss is indeterminant but possibly significant, rounded to an estimate of \$10 M for purposes of this fiscal note.

Taxes collected in the remainder of the current year may decline due to delayed sales in anticipation of a lower tax rate. This activity may also inflate FY 26 collections mitigating some of the SGF decline as those sales are pushed into the next fiscal year.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Alan M. Boxberger</b> <b>Legislative Fiscal Officer</b>