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2013 State Tobacco Tax Review

Although 31 state legislatures considered legislation this year to increase or decrease cigarette and tobacco product tax rates, only seven states have actually enacted an increase or decrease in cigarette and/or tobacco product tax rates as of July 10, 2013.

Tax Changes Enacted

The six states that have enacted into law a cigarette or tobacco tax increase or decrease are as follows:

Arkansas: A bill proposing a cap on premium cigars of 50 cents per cigar was signed into law and takes effect Oct. 1, 2013.

Colorado: House Bill 1144 was signed into law and makes permanent the state sales tax and use tax on the sale of cigarettes. The sales tax rate in Colorado is 2.9%.

Kentucky: Effective Aug. 1, 2013, the state tax on chewing tobacco is reduced to 19 cents per each one and one-half ounce single unit, 40 cents per half-pound unit, and 65 cents per pound unit, while also setting the tax rate on other tobacco products, except moist snuff and chewing tobacco, at 15% of the wholesale price.

Massachusetts: After Gov. Deval Patrick vetoed a transportation funding bill that contained a \$1-per-pack cigarette tax increase and tax increases on cigars and moist snuff, the Massachusetts House and Senate voted July 24 to override the veto. This means the cigarette tax increase is enacted into law and the new cigarette tax rate will be \$3.51 per pack, the tax on cigars will rise to 40% and the tax on moist snuff will increase to 210%. These

tax increases take effect seven days after the enactment date.

Minnesota: The Minnesota legislature passed and the governor signed into law a \$1.60-per-pack cigarette tax increase, an increase in the OTP tax rate to 95%, a minimum tax on moist snuff of \$2.83 per container, and an increase in the non-settlement cigarette fee to 50 cents per pack. The cigarette and OTP tax increases went into effect July 1, 2013, and the minimum moist-snuff tax increase will become effective Jan. 1, 2014.

Ohio: In a state budget bill signed into law by Gov. John Kasich, the tax on little cigars will increase from 17% to 37% of the wholesale price effective Oct. 1, 2013.

Texas: House Bill 3536 passed the legislature and has been signed by the governor. It imposes a tax of 2.75 cents per cigarette on both non-settling manufacturer cigarette brands and non-settling manufacturer cigarette tobacco effective Sept. 1, 2013.

Tax Bills Not Passed

A number of cigarette and tobacco tax bills that were pending in many states were either defeated or died due to adjournment of the regular legislative sessions. The states in which proposed changes in cigarette and/or tobacco tax rates were not enacted this year include:

- ▶ Alabama
- ▶ Arkansas
- ▶ Connecticut
- ▶ Delaware
- ▶ Florida

- ▶ Hawaii
- ▶ Kentucky
- ▶ Louisiana
- ▶ Maryland
- ▶ Mississippi
- ▶ Missouri
- ▶ New Mexico
- ▶ North Dakota
- ▶ Oklahoma
- ▶ Oregon
- ▶ South Carolina
- ▶ Tennessee
- ▶ Texas
- ▶ Utah
- ▶ Vermont
- ▶ Virginia
- ▶ West Virginia
- ▶ Wyoming

Automatic Tax Increase

New Hampshire: While several bills seeking to increase the cigarette and OTP tax rates failed, under current New Hampshire law, the state cigarette tax was scheduled to automatically increase by 10 cents per pack to \$1.78 on Aug. 1, and the OTP tax was to increase to 65.03%.

This automatic increase was confirmed July 10 by a report from the New Hampshire Department of Revenue, which determined that the cigarette and tobacco tax revenue for the two-year period from July 1, 2011, through June 30, 2013, was less than the tobacco revenue collected for the two-year period from July 1, 2009, through June 30, 2011. Under New Hampshire law, this lower level of tobacco tax revenue triggered the automatic cigarette and OTP tax increases. ■