

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4936
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JANUARY 13, 2022

SUMMARY

Synopsis: Limits “tobacco and vapor products tax” on cigars to up to \$0.50 per cigar.

Type of Impact: Annual State revenue loss to General Fund; annual reduction in dedication for certain anti-smoking initiatives.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2022 and Each FY Thereafter</u>
State Revenue Loss	Indeterminate
State Expenditure Reduction	1% of State Revenue Loss

- The Office of Legislative Services (OLS) expects this bill to reduce Tobacco and Vapor Products Tax revenue, but lacks necessary industry sales data to quantify the magnitude of the impact.
- The OLS notes that the bill’s revenue loss from existing cigar sales may be partially offset if the reduction in the tax rate results in increased sales of taxable cigars, assuming all other things being equal.
- The overall reduction in revenue from this tax will negatively affect the current one percent dedication for smoking cessation programs in the Department of Health.

BILL DESCRIPTION

This bill limits the taxation of cigars under the Tobacco and Vapor Products Tax Act to a maximum of 50 cents per cigar. Currently, the tax on cigars is 30 percent of the wholesale price. Under this bill, the tax will still be 30 percent of the wholesale price, but the tax will be capped at 50 cents per cigar. The bill also amends current law to clarify tax payment responsibilities of tobacco product wholesalers and distributors.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects this bill to reduce Tobacco and Vapor Products Tax revenue, but lacks necessary industry sales data to quantify the magnitude of the impact. In total, the tax generates roughly \$28 million in gross revenue annually, before factoring out certain dedications. A review of cigar prices available online suggests that the revenue impact associated with the bill would not approach the full amount currently collected on an annual basis. The tax will still be imposed on wholesale cigar sales; however, cigars that are more expensive will not yield as much revenue because of the bill’s cap.

For example, a cigar’s wholesale price must be at least \$1.67 to be subject to the \$0.50 per cigar limit imposed by the bill. A cigar with a wholesale price of \$30.00 under current law would generate \$9.00 in tax revenue for the State. Under the bill, the \$9.00 in tax revenue would be reduced to \$0.50, resulting in a revenue loss of \$8.50 to the State.

The OLS notes that the bill’s revenue loss from existing cigar sales may be partially offset if the reduction in the tax rate results in increased sales of taxable cigars, assuming all other things being equal. The overall reduction in revenue from this tax will negatively affect the current one percent dedication for smoking cessation programs in the Department of Health.

Section: Revenue, Finance and Appropriations
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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).