

**Revenue Estimating Conference**  
**Tobacco Tax and Surcharge**  
**Executive Summary**  
**February 14, 2023**

The Revenue Estimating Conference has revised the Tobacco Tax and Surcharge estimates for Cigarettes and Other Tobacco Products (OTP). For the current fiscal year, FY 2022-23, combined cigarette tax and surcharge collections year-to-date were \$13.2 million below estimate. The combined other tobacco tax and surcharge estimates were \$1.7 million below estimate.

The Conference discussed the impact of vaping on both OTP and cigarette consumption, stating that cigarette consumers that would have normally switched to OTP as an alternative, may be switching to vaping instead. The Conference lowered the cigarette tax and surcharge forecast to reflect both the weaker than expected current collections. The combined forecast for Cigarette Tax and Surcharge for FY 2022-23 was lowered from \$223.2 million to \$218.4 million (-19.3 million). The forecast for the current year is a -5.1% decrease from FY 2021-22. FYs 2023-24 and 2024-25 decrease by -3% and -2.75%, respectively, before returning to the -2.50% growth rate from the prior forecast.

Due to the slight observed difference in OTP between collections year-to-date and the prior forecast, the Conference preserved the August 2022 forecast. This estimate uses a 1.25% growth rate for the current FY 2022-23 and a 2.50% growth rate for all out years.

The table on the following page summarizes the changes in collections and distributions since the last forecast.

**Tobacco Tax and Surcharge Conference**  
**Comparison of the August 2022 and February 2023 Forecasts**

<b>COLLECTIONS</b>						
	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
<b>Cigarette Tax</b>						
August 2022	223.2	217.1	211.7	206.4	201.2	196.2
February 2023	218.4	211.8	206.0	200.8	195.8	190.9
Difference	-4.8	-5.3	-5.7	-5.6	-5.4	-5.3
<b>Cigarette Surcharge</b>						
August 2022	668.0	649.6	633.4	617.5	602.0	586.9
February 2023	653.5	633.9	616.4	601.0	585.9	571.3
Difference	-14.5	-15.7	-17.0	-16.5	-16.1	-15.6
<b>OTP Tax</b>						
August 2022	41.5	42.3	43.4	44.5	45.6	46.7
February 2023	41.5	42.3	43.4	44.5	45.6	46.7
Difference	0.0	0.0	0.0	0.0	0.0	0.0
<b>OTP Surcharge</b>						
August 2022	99.2	101.2	103.7	106.3	108.9	111.7
February 2023	99.2	101.2	103.7	106.3	108.9	111.7
Difference	0.0	0.0	0.0	0.0	0.0	0.0

<b>DISTRIBUTIONS</b>						
	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
<b>Health Care Trust Fund</b>						
August 2022	705.8	690.7	678.1	665.9	654.0	642.6
February 2023	692.4	676.3	662.5	650.7	639.2	628.3
Difference	-13.4	-14.4	-15.6	-15.2	-14.8	-14.3
<b>General Revenue Service Charge</b>						
August 2022	79.3	77.5	75.9	74.4	73.0	71.7
February 2023	77.8	75.7	74.1	72.7	71.3	70.0
Difference	-1.5	-1.8	-1.8	-1.7	-1.7	-1.7
<b>General Revenue Excise Tax</b>						
August 2022	108.9	105.2	90.5	87.1	84.1	80.9
February 2023	105.9	102.1	86.9	83.8	80.7	77.8
Difference	-3.0	-3.1	-3.6	-3.3	-3.4	-3.1
<b>OTP General Revenue Tax</b>						
August 2022	41.5	42.3	43.4	44.5	45.6	46.7
February 2023	41.5	42.3	43.4	44.5	45.6	46.7
Difference	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total GR Distributions</b>						
August 2022	229.7	225.0	209.8	206.0	202.7	199.3
February 2023	225.2	220.1	204.4	201.0	197.6	194.5
Difference	-4.5	-4.9	-5.4	-5.0	-5.1	-4.8
<b>All Other Funds</b>						
August 2022	96.4	94.5	104.3	102.8	101.0	99.6
February 2023	95.0	92.8	102.6	100.9	99.4	97.8
Difference	-1.4	-1.7	-1.7	-1.9	-1.6	-1.8