

Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary
January 4, 2024

The Revenue Estimating Conference has revised the Tobacco Tax and Surcharge forecasts for Cigarettes and Other Tobacco Products (OTP). The January meeting was actually the second of two meetings—the Conference had reconvened from an earlier date to allow the Department of Business and Professional Regulation time to correct issues that were creating anomalies in the collection data. The Department believes this data issue has now been corrected. Year to date (through December 2023), combined cigarette tax and surcharge collections were \$29.6 million (-6.86%) below estimate and the combined other tobacco products tax and surcharge estimates were \$4.7 million (-6.80%) below estimate.

For cigarette tax and surcharge in the current year, the Conference lowered the estimate for cigarette packs to show a -6.0% decline relative to the prior year. This move reduced expected collections by a combined \$19.6 million. While this reduction does not completely cover the current loss to the estimate, the Conference believes improving inflation and corporate actions to suppress stamp purchasing at the end of the calendar year both point to a stronger second half of the year. For the subsequent years, the Conference maintained the anticipated declines of -3.75% per year. As a result, the combined forecast for Cigarette Tax and Surcharge is lower than the prior forecast in each of those years, producing losses of \$18.9 million in FY 2024-25, \$18.2 million in FY 2025-26, \$17.5 million in FY 2026-27, \$16.8 million in FY 2027-28, and \$16.3 million in FY 2028-29.

The Conference also lowered the forecast for OTP tax and surcharge. For the current year, the Conference reduced the tax base by -4.75% relative to the prior year. This move reduced collections by a combined \$6.6 million. For the subsequent years, the Conference essentially retained the out-year growth rates from the prior conference; however, the lower starting point produces annual losses that range from \$6.7 million to \$7.2 million.

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 July 2023 Forecasts and January 2024 Forecasts

COLLECTIONS						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Cigarette Tax						
July 2023	209.8	201.9	194.4	187.1	180.0	173.3
December 2023	204.9	197.2	189.8	182.7	175.8	169.2
Difference	-4.9	-4.7	-4.6	-4.4	-4.2	-4.1
Cigarette Surcharge						
July 2023	627.8	604.3	581.6	559.7	538.7	518.5
December 2023	613.1	590.1	568.0	546.6	526.1	506.3
Difference	-14.7	-14.2	-13.6	-13.1	-12.6	-12.2
OTP Tax						
July 2023	40.8	41.4	42.3	43.1	43.9	44.8
December 2023	38.9	39.4	40.2	41.0	41.9	42.7
Difference	-1.9	-2.0	-2.1	-2.1	-2.0	-2.1
OTP Surcharge						
July 2023	97.5	99.0	101.0	103.0	105.1	107.2
December 2023	92.8	94.3	96.2	98.1	100.0	102.1
Difference	-4.7	-4.7	-4.8	-4.9	-5.1	-5.1

DISTRIBUTIONS						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Health Care Trust Fund						
July 2023	667.3	647.0	628.0	609.6	592.3	575.6
December 2023	649.4	629.6	611.1	593.1	576.0	559.7
Difference	-17.9	-17.4	-16.9	-16.5	-16.3	-15.9
General Revenue Service Charge						
July 2023	74.8	72.5	70.2	68.1	65.9	64.0
December 2023	72.9	70.6	68.3	66.2	64.2	62.2
Difference	-1.9	-1.9	-1.9	-1.9	-1.7	-1.8
General Revenue Excise Tax						
July 2023	100.8	84.5	79.9	75.5	71.1	67.0
December 2023	97.8	81.6	77.1	72.8	68.6	64.6
Difference	-3.0	-2.9	-2.8	-2.7	-2.5	-2.4
OTP General Revenue Tax						
July 2023	40.8	41.4	42.3	43.1	43.9	44.8
December 2023	38.9	39.4	40.2	41.0	41.9	42.7
Difference	-1.9	-2.0	-2.1	-2.1	-2.0	-2.1
Total GR Distributions						
July 2023	216.4	198.4	192.4	186.7	180.9	175.8
December 2023	209.6	191.6	185.6	180.0	174.7	169.5
Difference	-6.8	-6.8	-6.8	-6.7	-6.2	-6.3
All Other Funds						
July 2023	92.2	101.2	98.9	96.6	94.5	92.4
December 2023	90.7	99.8	97.5	95.3	93.1	91.1
Difference	-1.5	-1.4	-1.4	-1.3	-1.4	-1.3