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Overview

H.F. 2790 both increases and imposes an inflation adjustment on the cigarette excise tax, and increases the maximum tax on premium cigars. The inflation adjustment on the excise tax was enacted in 2013 and repealed in 2017. The premium cigar tax was also enacted in 2013, and the \$3.50 maximum rate was reduced to \$.50 in 2017.

This bill also dedicates a portion of the cigarette excise tax and premium cigar tax revenues to a newly established tobacco use prevention account. The commissioner of health is authorized to use funds from this account for tobacco use prevention and smoking cessation.

Section

- 1 Rates; cigarettes.** Increases the cigarette excise tax rate from 15.2 cents to 15.9 cents per cigarette (\$3.04 to \$3.18 per pack).
- 2 Annual indexing.** Requires the commissioner of revenue to adjust the cigarette excise rate each year based on the increase in the in-lieu cigarette sales tax rate.
- 3 Rates; premium cigars.** Increases the maximum tax on premium cigars from \$.50 to \$3.50 per cigar. Under current law, the rate for premium cigars is the lesser of 95% of the wholesale price or \$.50 per cigar. Because the wholesale price of a premium cigar must be at least \$2, the effective tax rate for all premium cigars is \$.50 per cigar.
- 4 Use tax; premium cigars.** Increases the use tax on premium cigars to correspond to the rate change in section 3.

Section

- 5** **Tax and use tax on cigarettes and premium cigars.** Establishes a tobacco use prevention account in the special revenue fund. Dedicates \$12.5 million in revenue from the cigarette excise tax and \$1.8 million in revenue from the premium cigar tax to this new account. Funds may be spent from this account by the commissioner of health for tobacco use prevention and tobacco cessation services. Authorizes the commissioner of health to contract for the administration of a smoking cessation service.