

# New Hampshire Department of Revenue Administration

## Fiscal Note Quick Guide

19-0710

**HB 438**, *removing the exemption for premium cigars from the tobacco tax.*

House Ways & Means

The proposed legislation removes the Tobacco Tax exemption for premium cigars. It takes effect July 1, 2019.

The Department assumes that premium cigars (“which are made entirely by hand of all natural tobacco leaf, are hand constructed and hand wrapped, weigh more than 3 pounds per 1,000 cigars, and are kept in a humidor”) are not cigarettes within the meaning of RSA 78:1, XVII, and so they would be taxed by the proposed legislation as tobacco products other than cigarettes at a rate of 65.03% of the wholesale sales price.

The Department assumes it could administer the proposed legislation without any costs that could not be absorbed into its operating budget.

The fiscal impact of this proposed legislation is an indeterminable increase to the State General Fund and Education Trust Fund. The Department cannot estimate the impact on revenues because it does not have complete data with respect to the wholesale sales price of premium cigars sold or distributed in New Hampshire. Wholesalers who sell or distribute tobacco products other than cigarettes in New Hampshire are required to secure a license and file monthly returns. They also report on their returns the “total wholesale sales price of all premium cigars sold or distributed in New Hampshire.” However, if a person sells or distributes only premium cigars, it is not required to secure a license and file returns, or to otherwise provide sales information.

To try to determine a minimum fiscal impact, the Department looked at what licensed wholesalers reported on their FY 2018 returns. License wholesalers reported on their FY 2018 returns a total wholesale sales price for premium cigars of \$796,798.07, which, at 65.03%, would increase revenues by \$518,157.78. However, as described above, this does not take into account all premium cigars. It is based on incomplete data.

Lastly, the effective date of July 1, 2019 may occur before the proposed legislation becomes law. It also does not allow sufficient time to notify taxpayers, make any necessary forms changes, and complete possible rulemaking.