

Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary
July 23, 2024

The Revenue Estimating Conference has revised the Tobacco Tax and Surcharge forecasts for Cigarettes and Other Tobacco Products (OTP). Before the payment of refunds, combined Cigarette Tax and Surcharge collections were \$27.8 million (-3.4%) below estimate and the combined Other Tobacco Products Tax and Surcharge collections were \$2.4 million (-1.8%) below estimate for FY 2023-24.

The Conference lowered the estimate for cigarette packs to show a decline of -4.75% for FY 2024-25. The Conference assumed that this annual loss would soften across the forecast horizon, dropping in FY 2025-26 to -3.75%, and then steadying at the same percentage decline for each of the outer years. As a result, the combined forecast for Cigarette Tax and Surcharge is lower than the prior forecast in each year, producing losses prior to refunds of \$35.5 million in FY 2024-25, \$34.3 million in FY 2025-26, \$33.0 million in FY 2026-27, \$31.7 million in FY 2027-28, and \$30.4 million in FY 2028-29.

The Conference also lowered the forecasts for OTP Tax and Surcharge. For the current year, the Conference reduced the tax base by -2.00% relative to the prior year. For the subsequent years, the Conference assumed that the level in FY 2024-25 would remain constant across the forecast horizon, with no additional growth. As a result, the combined forecast for OTP Tax and Surcharge is lower than the prior forecast in each of those years, producing losses prior to refunds of \$7.0 million in FY 2024-25, \$9.7 million in FY 2025-26, \$12.4 million in FY 2026-27, \$15.2 million in FY 2027-28, and \$18.1 million in FY 2028-29.

Distributions take place after accounting for refunds. An error occurred towards the end of FY 2023-24 which caused a delay in the distributions relative to the total amount of collected revenues. Total distributions for the year were \$53.8 million below the level expected from the collections. The Department of Business and Professional Regulation has informed the Conference that a correction of \$51.1 million will be made in FY 2024-25, leaving a remaining discrepancy of \$2.8 million. A fourth page has been added to the package to show the distribution errors and anticipated corrections.

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

Tobacco Tax and Surcharge Conference
Comparison of the January 2024 Forecasts and July 2024 Actuals

COLLECTIONS							
	Actuals						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Cigarette Tax							
January 2024	204.9	197.2	189.8	182.7	175.8	169.2	#N/A
July 2024	198.4	188.3	181.2	174.4	167.9	161.6	155.5
Difference	-6.5	-8.9	-8.6	-8.3	-7.9	-7.6	#N/A
Cigarette Surcharge							
January 2024	613.1	590.1	568.0	546.6	526.1	506.3	#N/A
July 2024	592.1	563.5	542.3	521.9	502.3	483.5	465.3
Difference	-21.0	-26.6	-25.7	-24.7	-23.8	-22.8	#N/A
OTP Tax							
January 2024	38.9	39.4	40.2	41.0	41.9	42.7	#N/A
July 2024	38.3	37.4	37.4	37.4	37.4	37.4	37.4
Difference	-0.6	-2.0	-2.8	-3.6	-4.5	-5.3	#N/A
OTP Surcharge							
January 2024	92.8	94.3	96.2	98.1	100.0	102.1	#N/A
July 2024	91.2	89.3	89.3	89.3	89.3	89.3	89.3
Difference	-1.6	-5.0	-6.9	-8.8	-10.7	-12.8	#N/A

DISTRIBUTIONS							
	Actuals						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Health Care Trust Fund							
January 2024	649.4	629.6	611.1	593.1	576.0	559.7	#N/A
July 2024	587.8	642.0	581.0	562.2	544.2	526.9	510.2
Difference	-61.6	12.4	-30.1	-30.9	-31.8	-32.8	#N/A
General Revenue Service Charge							
January 2024	72.9	70.6	68.3	66.2	64.2	62.2	#N/A
July 2024	66.2	72.0	65.1	63.0	60.8	58.8	56.8
Difference	-6.7	1.4	-3.2	-3.2	-3.4	-3.4	#N/A
General Revenue Excise Tax							
January 2024	97.8	81.6	77.1	72.8	68.6	64.6	#N/A
July 2024	88.2	81.2	71.8	67.7	63.9	59.9	56.3
Difference	-9.6	-0.4	-5.3	-5.1	-4.7	-4.7	#N/A
OTP General Revenue Tax							
January 2024	38.9	39.4	40.2	41.0	41.9	42.7	#N/A
July 2024	38.3	37.4	37.4	37.4	37.4	37.4	37.4
Difference	-0.6	-2.0	-2.8	-3.6	-4.5	-5.3	#N/A
Total GR Distributions							
January 2024	209.6	191.6	185.6	180.0	174.7	169.5	#N/A
July 2024	192.7	190.6	174.3	168.1	162.1	156.1	150.5
Difference	-16.9	-1.0	-11.3	-11.9	-12.6	-13.4	#N/A
All Other Funds							
January 2024	90.7	99.8	97.5	95.3	93.1	91.1	#N/A
July 2024	85.7	97.0	94.9	92.7	90.6	88.8	86.8
Difference	-5.0	-2.8	-2.6	-2.6	-2.5	-2.3	#N/A

NOTE: Collections are shown after adjustments have been made for refunds.