

**Revenue Estimating Conference**  
**Tobacco Tax and Surcharge**  
**Executive Summary**  
**August 2, 2022**

The Revenue Estimating Conference has revised the Tobacco Tax and Surcharge estimates for Cigarettes and Other Tobacco Products (OTP). For FY 2021-22, combined cigarette tax and surcharge collections were \$11.7 million below estimate. The combined other tobacco tax and surcharge estimates were \$2.4 million below estimate.

The Conference lowered the cigarette tax and surcharge forecast to reflect both the weaker than expected current collections and industry data that predicts reduced future consumption of cigarettes. As a result, the combined forecast for Cigarette Tax and Surcharge is lower than the prior forecast by \$17.0 million in FY 2022-23 and \$18.8 million in FY 2023-24. From those lower levels, the Conference continues the expected 2.50% annual decline found in prior forecasts.

For OTP, the Conference adopted a reduced forecast after seeing the first negative growth in this category since FY 2013-14. The combined forecast for OTP taxes and surcharge is lower than the prior forecast by \$4.4 million in FY 2022-23 and \$5.2 million in FY 2023-24. From those lower levels, the Conference anticipates consecutive annual increases of 2.50% that begin FY 2024-25, but the forecast never returns to the prior levels.

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 December 2021 and August 2022 Forecasts**

<b>COLLECTIONS</b>							
	<b>2021-22</b>						
	<b>actuals</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>							
December 2021	233.3	227.5	221.8	216.3	210.8	205.6	#N/A
August 2022	230.8	223.2	217.1	211.7	206.4	201.2	196.2
Difference	-2.5	-4.3	-4.7	-4.6	-4.4	-4.4	#N/A
<b>Cigarette Surcharge</b>							
December 2021	698.2	680.7	663.7	647.1	630.9	615.1	#N/A
August 2022	689.0	668.0	649.6	633.4	617.5	602.0	586.9
Difference	-9.2	-12.7	-14.1	-13.7	-13.4	-13.1	#N/A
<b>OTP Tax</b>							
December 2021	41.8	42.8	43.9	45.0	46.1	47.2	#N/A
August 2022	42.0	41.5	42.3	43.4	44.5	45.6	46.7
Difference	0.2	-1.3	-1.6	-1.6	-1.6	-1.6	#N/A
<b>OTP Surcharge</b>							
December 2021	99.8	102.3	104.8	107.5	110.2	113.0	#N/A
August 2022	97.2	99.2	101.2	103.7	106.3	108.9	111.7
Difference	-2.6	-3.1	-3.6	-3.8	-3.9	-4.1	#N/A

<b>DISTRIBUTIONS</b>							
	<b>2021-22</b>						
	<b>actuals</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>							
December 2021	745.3	720.3	707.0	694.2	681.8	669.8	#N/A
August 2022	732.2	705.8	690.7	678.1	665.9	654.0	642.6
Difference	-13.1	-14.5	-16.3	-16.1	-15.9	-15.8	#N/A
<b>General Revenue Service Charge</b>							
December 2021	82.9	80.9	79.2	77.7	76.2	74.7	#N/A
August 2022	81.5	79.3	77.5	75.9	74.4	73.0	71.7
Difference	-1.4	-1.6	-1.7	-1.8	-1.8	-1.7	#N/A
<b>General Revenue Excise Tax</b>							
December 2021	115.6	111.6	108.1	93.2	89.8	86.7	#N/A
August 2022	115.1	108.9	105.2	90.5	87.1	84.1	80.9
Difference	-0.5	-2.7	-2.9	-2.7	-2.7	-2.6	#N/A
<b>OTP General Revenue Tax</b>							
December 2021	41.8	42.8	43.9	45.0	46.1	47.2	#N/A
August 2022	42.0	41.5	42.3	43.4	44.5	45.6	46.7
Difference	0.2	-1.3	-1.6	-1.6	-1.6	-1.6	#N/A
<b>Total GR Distributions</b>							
December 2021	240.3	235.3	231.2	215.9	212.1	208.6	#N/A
August 2022	238.6	229.7	225.0	209.8	206.0	202.7	199.3
Difference	-1.7	-5.6	-6.2	-6.1	-6.1	-5.9	#N/A
<b>All Other Funds</b>							
December 2021	99.5	97.7	96.0	105.8	104.1	102.5	#N/A
August 2022	99.0	96.4	94.5	104.3	102.8	101.0	99.6
Difference	-0.5	-1.3	-1.5	-1.5	-1.3	-1.5	#N/A