

**Revenue Estimating Conference**  
**Tobacco Tax and Surcharge**  
**Executive Summary**  
**January 7, 2026**

The Revenue Estimating Conference has revised the Tobacco Tax and Surcharge forecasts for Cigarettes and Other Tobacco Products (OTP). Year to date (July 2025 through December 2025), combined Cigarette Tax and Surcharge collections were \$8.1 million (2.3%) above estimate, and the combined Other Tobacco Products Tax and Surcharge collections were \$0.2 million (0.4%) above estimate.

For Cigarette Tax and Surcharge in the current year, the Conference increased the estimate for cigarette packs to reduce the expected decline relative to the prior year from a loss of 6.00% to a smaller loss of 5.26%. This change increased expected collections by a combined \$5.5 million. For the subsequent years, the Conference maintained the previously adopted rates of decline, albeit from a slightly higher base. As a result, the combined forecast for Cigarette Tax and Surcharge is higher than the prior forecast in each of those years, producing annual gains of \$5.2 million in FY 2026-27, \$5.0 million in FY 2027-28, \$4.7 million in FY 2028-29, \$4.6 million in FY 2029-30, and \$4.4 million in FY 2030-31.

Since monthly collections for the OTP tax and surcharge have essentially matched the estimates, the Conference maintained the prior forecast for these receipts. That forecast contained a reduction of 4.0% for the current year relative to FY 2024-25, followed by annual declines of 3.0% in each of the subsequent years.

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 July 2025 Forecasts to January 2026 Forecasts**

<b>COLLECTIONS</b>						
	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
<b>Cigarette Tax</b>						
July 2025	173.0	164.3	157.7	151.8	146.1	140.6
January 2026	174.4	165.6	159.0	153.0	147.3	141.7
Difference	1.4	1.3	1.3	1.2	1.2	1.1
<b>Cigarette Surcharge</b>						
July 2025	517.6	491.7	472.0	454.3	437.2	420.8
January 2026	521.7	495.6	475.7	457.8	440.6	424.1
Difference	4.1	3.9	3.7	3.5	3.4	3.3
<b>OTP Tax</b>						
July 2025	34.4	33.4	32.4	31.4	30.5	29.6
January 2026	34.4	33.4	32.4	31.4	30.5	29.6
Difference	0.0	0.0	0.0	0.0	0.0	0.0
<b>OTP Surcharge</b>						
July 2025	82.2	79.7	77.3	75.0	72.7	70.5
January 2026	82.2	79.7	77.3	75.0	72.7	70.5
Difference	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Refunds</b>						
July 2025	0.7	0.7	0.7	0.7	0.7	0.7
January 2026	0.7	0.7	0.7	0.7	0.7	0.7
Difference	0.0	0.0	0.0	0.0	0.0	0.0

<b>DISTRIBUTIONS</b>						
	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>	<b>2030-31</b>
<b>Health Care Trust Fund</b>						
July 2025	551.8	525.7	505.3	487.0	469.1	451.9
January 2026	555.6	529.3	508.7	490.2	472.3	455.0
Difference	3.8	3.6	3.4	3.2	3.2	3.1
<b>General Revenue Service Charge</b>						
July 2025	61.8	58.8	56.6	54.4	52.5	50.6
January 2026	62.3	59.2	57.0	54.8	52.8	50.9
Difference	0.5	0.4	0.4	0.4	0.3	0.3
<b>General Revenue Excise Tax</b>						
July 2025	66.8	61.6	57.6	54.0	50.5	47.2
January 2026	67.7	62.4	58.4	54.8	51.3	47.9
Difference	0.9	0.8	0.8	0.8	0.8	0.7
<b>OTP General Revenue Tax</b>						
July 2025	34.4	33.4	32.4	31.4	30.5	29.6
January 2026	34.4	33.4	32.4	31.4	30.5	29.6
Difference	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total GR Distributions</b>						
July 2025	163.0	153.8	146.6	139.8	133.5	127.4
January 2026	164.4	155.0	147.8	141.0	134.6	128.4
Difference	1.4	1.2	1.2	1.2	1.1	1.0
<b>All Other Funds</b>						
July 2025	92.4	89.6	87.5	85.7	83.9	82.2
January 2026	92.7	90.0	87.9	86.0	84.2	82.5
Difference	0.3	0.4	0.4	0.3	0.3	0.3