

Revenue Estimating Conference
Tobacco Tax and Surcharge
Executive Summary
February 13, 2025

The Revenue Estimating Conference has revised the Tobacco Tax and Surcharge forecasts for Cigarettes and Other Tobacco Products (OTP). Year to date (July 2024 through January 2025), combined cigarette tax and surcharge collections were \$7.3 million (-1.6%) below estimate, and the combined other tobacco products tax and surcharge collections were \$0.1 million (-0.2%) below estimate.

For cigarette tax and surcharge in the current year, the Conference lowered the estimate for cigarette packs to show a 6.05% decline relative to the prior year. This change reduced expected collections by a combined \$10.3 million. For the subsequent years, the Conference maintained the previously adopted decline of 3.75% per year. As a result, the combined forecast for Cigarette Tax and Surcharge is lower than the prior forecast in each of those years, producing annual losses of \$9.8 million in FY 2025-26, \$9.4 million in FY 2026-27, \$9.1 million in FY 2027-28, \$8.8 million in FY 2028-29, and \$8.5 million in FY 2029-30.

Since monthly collections for the OTP tax and surcharge have essentially matched the estimates, the Conference readopted the prior forecast for these receipts. That forecast contained a reduction of -2.0% for the current year relative to FY 2023-24, and then flattened at this dollar level for all subsequent years.

An error occurred late in the 2023-24 fiscal year that delayed distributions relative to the total amount of collected revenues. The Department of Business and Professional Regulation has informed the Conference that the expected correction was made in July 2024.

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 2024 Forecasts to February 2025 Forecasts

COLLECTIONS						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Cigarette Tax						
July 2024	188.3	181.2	174.4	167.9	161.6	155.5
February 2025	185.7	178.8	172.1	165.6	159.4	153.4
Difference	-2.6	-2.4	-2.3	-2.3	-2.2	-2.1
Cigarette Surcharge						
July 2024	563.5	542.3	521.9	502.3	483.5	465.3
February 2025	555.8	534.9	514.8	495.5	476.9	458.9
Difference	-7.7	-7.4	-7.1	-6.8	-6.6	-6.4
OTP Tax						
July 2024	37.4	37.4	37.4	37.4	37.4	37.4
February 2025	37.4	37.4	37.4	37.4	37.4	37.4
Difference	0.0	0.0	0.0	0.0	0.0	0.0
OTP Surcharge						
July 2024	89.3	89.3	89.3	89.3	89.3	89.3
February 2025	89.3	89.3	89.3	89.3	89.3	89.3
Difference	0.0	0.0	0.0	0.0	0.0	0.0
Total Refunds						
July 2024	0.7	0.7	0.7	0.7	0.7	0.7
February 2025	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

DISTRIBUTIONS						
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Health Care Trust Fund						
July 2024	642.0	581.0	562.2	544.2	526.9	510.2
February 2025	634.9	574.2	555.7	538.0	520.8	504.3
Difference	-7.1	-6.8	-6.5	-6.2	-6.1	-5.9
General Revenue Service Charge						
July 2024	72.0	65.1	63.0	60.8	58.8	56.8
February 2025	71.2	64.3	62.2	60.0	58.2	56.2
Difference	-0.8	-0.8	-0.8	-0.8	-0.6	-0.6
General Revenue Excise Tax						
July 2024	81.2	71.8	67.7	63.9	59.9	56.3
February 2025	79.6	70.5	66.4	62.4	58.6	54.9
Difference	-1.6	-1.3	-1.3	-1.5	-1.3	-1.4
OTP General Revenue Tax						
July 2024	37.4	37.4	37.4	37.4	37.4	37.4
February 2025	37.4	37.4	37.4	37.4	37.4	37.4
Difference	0.0	0.0	0.0	0.0	0.0	0.0
Total GR Distributions						
July 2024	190.6	174.3	168.1	162.1	156.1	150.5
February 2025	188.2	172.2	166.0	159.8	154.2	148.5
Difference	-2.4	-2.1	-2.1	-2.3	-1.9	-2.0
All Other Funds						
July 2024	97.0	94.9	92.7	90.6	88.8	86.8
February 2025	96.2	94.0	91.9	90.0	88.0	86.2
Difference	-0.8	-0.9	-0.8	-0.6	-0.8	-0.6