

## Pennsylvania Should Join Rest of Nation by Taxing Cigars, Smokeless Tobacco

For 75 years, Pennsylvania has imposed a tax on cigarettes; however, it remains one of only two states that do not tax cigars, and the only state in the country that does not tax other tobacco products.

Pennsylvania residents and members of the state House of Representatives believe taxing cigars and smokeless tobacco (snuff and chewing tobacco) makes sense.

Last year, the House and Senate took the first step toward taxing other tobacco products by passing Act 48 of 2009, taxing little cigars at the same rate as cigarettes and generating an estimated \$15.3 million in revenue this year and \$25.3 million in FY 2010-11.

Legislation to tax cigars and other tobacco products was introduced in the Senate (SB 1064) but has seen no movement in the General Assembly.

In addition to raising much-needed revenue in these difficult economic times, this proposal would correct an inequity in our tax system. Cigars, smoking tobacco, and smokeless tobacco are harmful to health similar to cigarettes and little cigars - yet they are not currently taxed. A tax on other tobacco products helps to ensure that revenues are raised from all forms of tobacco.

The levy is projected to generate \$41.6 million in FY 2010-11 that would be dedicated to the Stimulus Transition Reserve Fund, which will help to ease an expected budget hole when federal stimulus funds end next year.

- The tax on cigars, smoking tobacco, and smokeless tobacco would be 30 percent of the wholesale value.

Revenue estimates from cigar and other tobacco product tax:

Projected New Tax Revenue from Tax On Other Tobacco Products (OTP)	
Tax Year	Tax on OTP
2010-11	\$41.6 million
2011-12	\$46.8 million
2012-13	\$49.8 million
2013-14	\$53.1 million

This proposal would bring Pennsylvania in line with other states and the District of Columbia, which already tax cigars and other tobacco products.

State	Snuff Tax	Chewing & Smoking Tobacco Tax	Cigar Tax	Cigarette Tax (¢/pack)
Alabama	1.0-12.0¢/oz.	Chewing: 1.5¢/oz.; Smoking: 4-6¢/oz.	3.0-40.5¢/10 cigars	42.5
Alaska	75% wholesale price	75% wholesale price	75% wholesale price	200
Arizona	22.25¢/oz.	22.25¢/oz.	22.-218¢/10 cigars	200
Arkansas	68% mfr. price	68% mfr. price	68% mfr. price	115
California <sup>3</sup>	41.11% wholesale price	41.11% wholesale price	41.11% wholesale price	87
Colorado	40% mfr. price	40% mfr. price	40% mfr. price	84
Connecticut	55¢/oz.	27.5% wholesale price	27.5% wholesale price	300
Delaware	54¢/oz.	15% wholesale price	15% wholesale price	160
DC	30¢/oz.	12% retail price, not pipe tobacco	12% retail price (not on \$2+ cigars)	250
Florida	85% wholesale price	85% wholesale price	None	133.9

State	Snuff Tax	Chewing & Smoking Tobacco Tax	Cigar Tax	Cigarette Tax (¢/pack)
Georgia	10% wholesale price	10% wholesale price	2.5¢/10 cigars; 23% wholesale price	37
Hawaii	70% wholesale price	70% wholesale price	50% wholesale price	260
Idaho	40% wholesale price	40% wholesale price	40% wholesale price	57
Illinois	18% wholesale price	18% wholesale price	18% wholesale price	98
Indiana	24% wholesale price	24% wholesale price	24% wholesale price	99.5
Iowa	119¢/oz.	50% wholesale price	50% wholesale price, 50¢ cap	136
Kansas	10% mfr. price	10% mfr. price	10% mfr. price	79
Kentucky	19¢/unit	15% wholesale price	15% wholesale price	60
Louisiana	20% mfr. price	Chewing: 20% mfr. price; Smoking: 33%	8%-20% mfr. price	36
Maine	202¢/oz. (with min. tax)	Chewing: 202¢/oz.; Smoking: 20%	20% wholesale price	200
Maryland	15% wholesale price	15% wholesale price	15% wholesale price	200
Massachusetts	90% wholesale price	Chewing: 90% w/s price; Smoking: 30%	30% wholesale price	251
Michigan	32% wholesale price	32% wholesale price	32% wholesale price	200
Minnesota	70% wholesale price	70% wholesale price	70% wholesale price	123
Mississippi	15% mfr. price	15% mfr. price	15% mfr. price	68
Missouri	10% mfr. price	10% mfr. price	10% mfr. price	17
Montana	85¢/oz.	50% wholesale price	50% wholesale price	170
Nebraska	44¢/oz.	20% wholesale price	20% wholesale price	64
Nevada	30% wholesale price	30% wholesale price	30% wholesale price	80
New Hampshire	48.59% wholesale price	48.59% wholesale price	48.59% wholesale price (not premium)	178
New Jersey	75¢/oz.	30% wholesale price	30% wholesale price	270
New Mexico	25% mfr. price	25% mfr. price	25% mfr. price	91
New York	96¢/oz. (with min. tax)	46% wholesale price	46% wholesale price	275
North Carolina	12.8% wholesale price	12.8% wholesale price	12.8% wholesale price	45
North Dakota	60¢/oz.	Chewing: 16¢/oz; Smoking: 28% w/s price	28% wholesale price	44
Ohio	17% wholesale price	17% wholesale price	17% wholesale price	125
Oklahoma	60% mfr. price	Chewing: 60% mfr. price; Smoking: 80%	36-120¢/10 cigars	103
Oregon	178¢/oz. (with min. tax)	65% wholesale price	65% wholesale price, 50¢ cap	118
<b>Pennsylvania</b>	<b>None</b>	<b>None</b>	<b>No Cigar Tax</b> (Little cigars taxed as cigarettes)	<b>160</b>
Rhode Island	100¢/oz.	80% wholesale price	80% wholesale price, 50¢ cap	346
South Carolina	5% mfr. price	5% mfr. price	5% mfr. price	7
South Dakota	35% wholesale price	35% wholesale price	35% wholesale price	153
Tennessee	6.6% wholesale price	6.6% wholesale price	6.6% wholesale price	62
Texas	110¢/oz. (with min. tax)	110¢/oz. (with min. tax)	1-15¢/10 cigars	141
Utah	75¢/oz.	35% mfr. price	35% mfr. price	69.5
Vermont	166¢/oz. or 199¢/oz. if less than 1.2oz.	92% mfr. price	92% mfr. price	224
Virginia	10% mfr. price	10% mfr. price	10% mfr. price	30
Washington	75% taxable sales price	75% taxable sales price	75% taxable sales price, 50¢ cap	202.5
West Virginia	7% wholesale price	7% wholesale price	7% wholesale price	55
Wisconsin	100% mfr. price	71% mfr. price	71% mfr. price, 50¢ cap	252
Wyoming	60¢/oz.	20% wholesale price	20% wholesale price	60