**149th GENERAL ASSEMBLY**
**FISCAL NOTE**

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| **BILL:** | **HOUSE BILL NO. 417** |
| **SPONSOR:** | **Representative Matthews** |
| **DESCRIPTION:** | **AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO TOBACCO PRODUCT TAXATION AND LICENSING.** |

## Assumptions:

1. This Act becomes effective thirty (30) days after signing by the Governor.

2. This Act defines premium cigars and prohibits a tax rate greater than $0.50 per cigar.

3. The Delaware Economic and Financial Advisory Council approved cigarette tax revenue of $130.3 million at its May 2018 meeting. Of this amount, roughly $5 million in revenue is generated from the 30% tax on the wholesale price of Other Tobacco Products (OTP). The Department of Finance estimates that 20% or roughly $1 million of OTP revenue is tied directly to premium cigar sales.

4. The average national wholesale price for premium cigars is estimated at approximately $4.00 per cigar, based on analysis of similar State legislation.

    a) The current 30% OTP tax on the wholesale price of each cigar generates roughly $1.20 in tax revenue per cigar ($4.00 X 30%).

    b) $1 million in expected premium cigar revenue from an average per cigar tax revenue of $1.20 corresponds to roughly 830,000 premium cigars sold annually.

    c) This Bill reduces the per premium cigar tax rate to no more than $0.50 per cigar, a reduction in tax revenue per cigar of $0.70. A $0.70 per cigar revenue loss for 830,000 anticipated premium cigars sold in FY 2019 produces a total anticipated revenue loss of $580,000.

5. Assumes 1% annual growth in premium cigar sales in Fiscal Years 2020 and 2021.

## Estimated Revenue Loss:

FY 2019: $581,000

FY 2020: $587,000

FY 2021: $593,000

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