



**149th GENERAL ASSEMBLY  
FISCAL NOTE**

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

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**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 ( $\$4.00 \times 30\%$ ).
  - 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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