



**150th GENERAL ASSEMBLY
FISCAL NOTE
REVISED**

BILL: HOUSE BILL NO. 98
SPONSOR: Representative Brady
DESCRIPTION: AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO TOBACCO PRODUCT TAXATION AND LICENSING.

Assumptions:

1. This Act becomes effective upon signing by the Governor.
2. This Act defines premium cigars and reduces the current tax on these cigars from 30% to 15% of their wholesale cost.
3. The Delaware Economic and Financial Advisory Council approved Fiscal Year 2020 cigarette tax revenue of \$131.1 million at its March 2019 meeting, which includes premium cigar revenue under Other Tobacco Products (OTP). Specific data on premium cigar sales is not currently captured.
4. The Department of Finance used state and national data on premium cigar sales to estimate roughly \$1.3 million of OTP revenue tied directly to premium cigar sales. The average national wholesale price from premium cigars is estimated at roughly \$4.00 per cigar, based on analysis of similar State legislation.
5. A reduction in the premium cigar tax rate from 30%, which currently generates a projected \$1.3 million in OTP tax revenue, to 15%, yields an estimated fiscal year 2020 revenue loss between \$432,000 and \$650,000.
6. Assumes 4.0% annual growth in premium cigar sales in Fiscal Years 2021 and 2022 based on national sales trends.

***This Fiscal Note is revised from its original version to account for the assumed impact to cigar retailers from cross boarder sales activity. The State's proximately to other states with reduced or without premium cigar taxes, increases price sensitivity for cigar retailers in the State.**

Estimated Revenue Loss:

Fiscal Year 2020: \$432,000 - \$650,000

Fiscal Year 2021: \$450,000 - \$676,000

Fiscal Year 2022: \$468,000 - \$703,040

Prepared by Art Jenkins
Office of the Controller General