

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 8, 2024

BILL NUMBER: SB 1246 **STATUS AND DATE OF BILL:** Introduced 12/7/2023

AUTHORS: House: n/a Senate: Bullard

TAX TYPE(S): Cigarette & Tobacco Excise Tax

SUBJECT: Tax Rates

PROPOSAL: Amendatory

The measure proposes to amend the cigarette and tobacco excise tax rates levied upon the sale, distribution, use, exchange, barter or possession of tobacco products within this State.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

Based upon cigarette and tobacco excise tax data and collections reported in FY 23, the proposed new tax rates were applied to derive an expected revenue impact based upon the estimated revenue collections for cigarette and tobacco excise taxes from the December 2023 forecast.

**FY 25: Estimated decrease of \$33,794,000 in cigarette excise tax revenue.
Estimated decrease of \$22,896,000 in tobacco products excise tax revenue.**

**FY 26: Estimated decrease of \$55,648,000 in cigarette excise tax revenue.
Estimated decrease of \$39,886,000 in tobacco products excise tax revenue.**

Administrative Impact:

FY 25: The measure will require a minimum of one month to accomplish in order to update the cigarette and tobacco excise tax data bases along with an estimated increase of \$7,200 in administrative costs.

1/16/24

DATE

Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

msm

1/16/24

DATE

Huan Gong

HUAN GONG, ECONOMIST

1/31/2024

DATE

Joseph P. Gappa

JOSEPH GAPPA, FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT – SB1246 [Introduced] Prepared: 1/9/2024.

SB 1246 proposes to amend the excise tax rates for tobacco products.

Section 1. Amends 68 O.S. § 302 by reducing the tax rate from 4 mills to 2 mills per cigarette.

Section 2. Amends 68 O.S. § 302-1 by reducing the tax rate from 2.5 mills to 1.75 mills per cigarette.

Section 3. Amends 68 O.S. § 302-2 by reducing the tax rate from 2.5 mills to 1.75 mills per cigarette.

Section 4. Amends 68 O.S. § 302-4 by reducing the tax rate from 2.5 mills to 1.75 mills per cigarette.

Section 5. Amends 68 O.S. § 302-5 (A) by reducing the additional cigarette excise tax rate of 40 mills to 20 mills per cigarette.

Section 6. Amends 68 O.S. § 402:

- Cigars: Reduces the tax rate for all cigars greater than 3 lbs. per thousand from \$20.00 per thousand to \$10.00 per thousand.
- Smoking Tobacco: Reduces the tax rate from 25% of the factory list price to 12.5%.
- Smokeless Tobacco: Reduces the tax rate from 20% of the factory list price to 10%.

Section 7. Amends 68 O.S. § 402-1:

- Cigars: Reduces the tax on cigars that weigh more than three lbs. per thousand, and having a mfg. recommended retail selling price, under the Federal Code, of more than \$0.04 per cigar, from \$10.00 per thousand to \$5.00 per thousand.
- Smoking Tobacco: Reduces the tax rate from 15% of the factory list price to 7.5%.
- Smokeless Tobacco: Reduces the tax rate from 10% of the factory list price to 5%.

Section 8. Amends 68 O.S. § 402-3:

- Cigars: Reduces the tax rate from \$90.00 per thousand to \$45.00 per thousand on all cigars of all descriptions that weigh more than 3 pounds per thousand.
- Smoking Tobacco: Reduces the tax levy from 40% tax on the factory list price to 20%.
- Smokeless Tobacco: Reduces the tax levy from 30% tax on the factory list price to 15%.

ANTICIPATED IMPACT:

Based upon cigarette and tobacco excise tax data and collections reported in FY 23, the proposed new tax rates were applied to derive an expected revenue impact based upon the estimated revenue collections for cigarette and tobacco excise taxes from the December 2023 forecast.

Sections 1 through 4. Reduces the cigarette tax levies in Sections 302 through 302-4 by half, resulting in an estimated decrease of \$6,941,882 in cigarette excise tax revenues for FY 25 and an estimated decrease of \$11,509,000 in

cigarette excise tax revenues for FY 26.¹

Section 5. Reduces the cigarette tax levy in Section 302-5 by half resulting in an estimated decrease of \$26,852,292 in cigarette excise tax revenues for FY 25 and an estimated decrease of \$44,139,000 in cigarette excise tax revenues for FY 26.²

Section 6 & 7. Reduces the tobacco products tax levies in Sections 402 through 402-1 by half, resulting in an estimated decrease of \$9,311,078 in tobacco excise tax revenues for FY 25 and an estimated decrease of \$15,926,352 in tobacco excise tax revenues for FY 26.³

Section 8. Reduces the tobacco tax levies in Section 402-3 by half, resulting in an estimated decrease of \$13,584,667 in tobacco excise tax revenues for FY 25 and an estimated decrease of \$23,959,500 in tobacco excise tax revenues for FY 26.⁴

¹The cigarette excise tax levies in 68 O.S. §§ 302, 302-1, 302-2, and 302-4 (aka old rate/original rate) are apportioned to the State of Oklahoma Building Bonds of 1961 Sinking Fund pursuant to the provisions of Sections 57.31 through 57.43 of Title 62 of the Oklahoma Statutes.

² The cigarette excise tax levy in 68 O.S. § 302-5(A) (aka new rate) is apportioned to various funds pursuant to 68 O.S. § 302-5(B).

³ The tobacco product excise tax levies in 68 O.S. §§ 402 & 402-1 (aka old rate/original rate) are apportioned to the General Revenue Fund

⁴ The tobacco product excise tax levy in 68 O.S. § 402-3(A) (aka new rate) is apportioned to various funds pursuant to 68 O.S. § 402-3(B).