

**BILL SUMMARY**  
1<sup>st</sup> Session of the 60<sup>th</sup> Legislature

|                        |  |
|------------------------|--|
| <b>Bill No.:</b>       | <b>HB2742</b>                                    |
| <b>Version:</b>        | <b>FULLPCS1</b>                                  |
| <b>Request Number:</b> | <b>12267</b>                                     |
| <b>Author:</b>         | <b>Caldwell (Trey)</b>                           |
| <b>Date:</b>           | <b>2/19/2025</b>                                 |
| <b>Impact:</b>         | <b>One-time administrative cost of \$150,000</b> |
|                        | <b>FY26: Minimal decrease in revenue</b>         |
|                        | <b>FY27: Minimal decrease in revenue</b>         |

**Research Analysis**

The proposed committee substitute to HB2742 provides a 50 percent tax exemption for the sale of heated cigarettes and directs the Oklahoma Tax Commission to issue distinct tax stamps for heated cigarettes.

Prepared By: Quyen Do

**Fiscal Analysis**

In its current form, HB2742 establishes a 50% tax exemption for the sale of cigarettes designed to be heated rather than burned, and tasks the Oklahoma Tax Commission with issuing stamps for these products before the effective date.

The Oklahoma Tax Commission has provided the following analysis:

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**ESTIMATED REVENUE IMPACT:**

**FY26: Unknown minimal decrease in state sales tax revenues.**

**Unknown minimal increase in cigarette excise tax revenues.**

**FY27: Unknown minimal decrease in state sales tax revenues.**

**Unknown minimal increase in cigarette excise tax revenues.**

**ANALYSIS:** The measure expands the definition of cigarettes to include products that require heating or burning. It establishes a 50% tax exemption for the sale of cigarettes designed to be heated rather than burned and mandates that the OTC issue stamps for these products before the effective date. Currently, these "heated cigarettes" are subject to sales tax; however, the volume of such sales is unknown but is believed to be minimal<sup>1</sup>. Consequently, this measure is expected to result in a minimal, indeterminate decrease in state sales tax revenues and an increase in cigarette excise tax revenues for FY26 and FY27.

**ADMIN CONCERNS & Administrative Impact:** Implementing the measure is expected to require five months, which may present challenges in meeting the November 1, 2025 effective date. Additionally, it is anticipated to result in a one-time administrative cost of approximately \$150,000 in FY26.

Prepared By: Zach Penrod, House Fiscal Staff

### **Other Considerations**

None.

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