

BILL SUMMARY
1st Session of the 60th Legislature

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

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:

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 minimal¹. 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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