



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 325** HLS 25RS 771
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 20, 2025	5:32 PM	Author: BRYANT
Dept./Agy.: Revenue		
Subject: Tobacco Tax Rate for Cigars		Analyst: Deborah Vivien

TAX/TOBACCO TAX OR -\$10,000,000 GF RV See Note Page 1 of 1
Provides for the rate of tax levied on certain cigars

Current law taxes cigars at a rate of 20% of the invoice price for cigars invoiced by manufacturers at more than \$120 per thousand, while cigars invoiced at \$120 per thousand or less are taxed at 8% of the invoice price with proceeds flowing to the state general fund.

Proposed law retains current law and taxes “premium” cigars invoiced by the manufacturer at more than \$120 per thousand at 50 cents per cigar instead of 20% of manufacturer’s invoice. The new tax rate will apply to all cigar products purchased by retail and wholesale dealers on and after July 1, 2025, but will not apply to stamped products and unused tax stamps in the possession of wholesale dealers prior to that date.

Effective July 1, 2025

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$40,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$40,000,000)

EXPENDITURE EXPLANATION
LDR may incur costs of \$52,750 for programming, testing and system development costs, including form revisions. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION
The bill does not impact cigars invoiced at or less than \$120/1,000 or 12 cents per cigar. The bill changes the rate for cigars priced at more than 12 cents per cigar from 20% of invoice price to 50 cents per cigar. According to The Tax Foundation, the average tax on a premium cigar for LA is \$1.18 per cigar implying an average price of \$5.90 using the 20% tax rate. Thus, the bill may lower tax collections and SGF by an estimated 68 cents per cigar.

A second perspective would show that, at the current 20% rate, a 50 cents tax equates to an invoice price of \$2.50 per cigar. To the extent that premium cigars are sold at prices higher than \$2.50, SGF revenue would increase and at prices below \$2.50, SGF would decrease under the bill. If the average price of a premium cigar in LA is \$5.90, the bill would be expected to reduce SGF revenue. The tax system at LDR does not capture the number of cigars sold, but FY 24 cigar tax collections were \$25 M, which, at \$1.18 per cigar (Tax Foundation estimate), implies that about 21.2 M premium cigars were sold in the state. If each cigar resulted in a 68 cent loss in tax revenue, the potential outcome may be a \$14.4M reduction in state general fund. However, due to the uncertainty in numbers of cigars sold and average tax and price estimates, the actual SGF revenue loss is indeterminant but possibly significant, rounded to an estimate of \$10 M for purposes of this Fiscal Note.

Taxes collected in the remainder of the current year may decline due to delayed sales in anticipation of a lower tax rate. This activity may also inflate FY 26 collections mitigating some of the SGF decline as those sales are pushed into the next fiscal year.