

HB 290-FN - AS INTRODUCED

2025 SESSION

25-0642

08/09

HOUSE BILL ***290-FN***

AN ACT increasing the taxes on cigarettes and electronic cigarettes and establishing a committee to study taxes on tobacco and other nicotine products.

SPONSORS: Rep. Stringham, Graf. 3

COMMITTEE: Ways and Means

ANALYSIS

This bill increases the taxes on cigarettes and electronic cigarettes and establishes a committee to study taxes on tobacco and other nicotine products.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Five

AN ACT increasing the taxes on cigarettes and electronic cigarettes and establishing a committee to study taxes on tobacco and other nicotine products.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Tax Imposed; Tobacco Tax. Amend RSA 78:2 to read as follows:

2 78:2 Tax Imposed.

3 I. A tax on all cigarettes and little cigars sold at retail in this state is imposed upon the
4 consumer at the rate of [~~\$1.78~~] **\$2.78** for each package containing 20 cigarettes or little cigars or at a
5 rate proportional to such rate for packages containing other than 20 cigarettes or little cigars.

6 II.(a) A tax on all other tobacco products sold at retail in this state is imposed on tobacco
7 products other than cigarettes, except electronic cigarettes, at a rate of 65.03 percent of the
8 wholesale sales price.

9 (b) A tax upon electronic cigarettes sold at retail in this state is imposed as follows:

10 (1) For closed cartridges or containers of liquid or other substances containing
11 nicotine that are not intended to be opened, [~~at a rate of \$0.30 per milliliter on the volume of the~~
12 ~~liquid or other substance in the cartridge or container as listed by the manufacturer~~] **65 percent of**
13 ***the wholesale sales price***; and

14 (2) For containers of liquid or other substances containing nicotine that are intended
15 to be opened, at a rate of [8] **65** percent of the wholesale sales price.

16 (c) The tax under this paragraph may be rounded to the nearest cent if the commissioner
17 determines that the amount of tax would not thereby be made materially disproportionate. No such
18 tax shall be imposed on premium cigars.

19 III. The tax shall be paid by the wholesaler who ships or transports tobacco products to
20 retailers in this state, to be sold by those retailers.

21 2 Committee Established. There is established a committee to study taxes on tobacco and other
22 nicotine products.

23 3 Membership and Compensation.

24 I. The members of the committee shall be as follows:

25 (a) Three members of the house of representatives, appointed by the speaker of the
26 house of representatives.

27 (b) One member of the senate, appointed by the president of the senate.

28 II. Members of the committee shall receive mileage at the legislative rate when attending to
29 the duties of the committee.

30 4 Duties. The committee shall study taxes on tobacco and other nicotine products.

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1 5 Chairperson; Quorum. The members of the study committee shall elect a chairperson from
2 among the members. The first meeting of the committee shall be called by the first-named house
3 member. The first meeting of the committee shall be held within 45 days of the effective date of this
4 section. Three members of the committee shall constitute a quorum.

5 6 Report. The committee shall report its findings and any recommendations for proposed
6 legislation to the speaker of the house of representatives, the president of the senate, the house
7 clerk, the senate clerk, the governor, and the state library on or before November 1, 2025.

8 7 Effective Date.

9 I. Section 1 of this act shall take effect July 1, 2025.

10 II. The remainder of this act shall take effect upon its passage.

**HB 290-FN- FISCAL NOTE
AS INTRODUCED**

AN ACT increasing the taxes on cigarettes and electronic cigarettes and establishing a committee to study taxes on tobacco and other nicotine products.

FISCAL IMPACT:

Estimated State Impact				
	FY 2025	FY 2026	FY 2027	FY 2028
Revenue	\$0	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
<i>Revenue Fund(s)</i>	General Fund and Education Trust Fund			
Expenditures*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

METHODOLOGY:

This bill increases the tax rate on all cigarettes and little cigars from a rate of \$1.78 to \$2.78 for each package containing 20 cigarettes or little cigars or at a rate proportional to such rate for packages containing other than 20 cigarettes or little cigars. The bill also increases the rate for closed cartridges or containers of liquid (closed system electronic cigarettes) from \$0.30 per milliliter on the volume of the liquid to 65 percent of the wholesale price and for containers of liquid or other substance containing nicotine that are intended to be open (open system electronic cigarettes) from 8 percent of wholesale price to 65 percent of the wholesale price. Lastly the bill creates a committee to study taxes on tobacco and other nicotine products.

The Department of Revenue Administration states this bill will increase General Fund and Education Trust Fund revenue by an indeterminable amount beginning in FY 2026. Though the Department is not able to predict future tobacco stamp sales or sales on open system electronic cigarettes, it can use FY 2024 information to estimate the potential impact.

The Department provided the following assumptions used to provide an estimated impact of increasing the tobacco stamp rate from \$1.78 to \$2.78:

- estimate does not consider a floor tax for existing inventory, any fluctuations in sales due to the tax increase or tobacco legislation in nearby states that might impact sales in New Hampshire.
- adjusts the General Fund and Education Trust Fund revenue split based on the increase to \$2.78. RSA 78:24 directs any tobacco stamp revenue in excess of \$1.00 for each package containing 20 cigarettes or little cigars or a rate proportional to packages containing other than 20 cigarettes or little cigars. Currently, 43.82% (\$0.78/\$1.78) of tobacco stamp revenue is directed to the Education Trust Fund, this proposed bill increases that to 64.03% (\$1.78/\$2.78).
- uses the FY 2024 tobacco stamp sales of 87,462,000 as the starting point for estimating the impact. At a rate of \$1.78, this results in total tobacco stamp revenue of \$155,682,000 in FY 2025 with \$87,462,000 directed to the General Fund and \$68,220,000 directed to the Education Trust Fund. Increasing the rate to \$2.78 in FY 2026 and forward will result in revenue increasing by an estimated \$87,462,000, with all of this increase being directed to the Education Trust Fund.

The estimated impact of increasing tobacco stamp rate from \$1.78 to \$2.78 can be found in Table 1 below.

Table 1: Estimated Impact of Increasing Tobacco Stamp Rate (In Millions)

Fiscal Year	Stamp Rate	Total Estimated Tobacco Stamp Revenue	Portion to General Fund	Portion to Education Trust Fund
FY 2025	\$1.78	\$155.7	\$87.5	\$68.2
FY 2026 and forward	\$2.78	\$243.1	\$87.5	\$155.7
Estimated Change in Revenue		\$87.5	\$0	\$87.5

The Department provided the estimated impact of increasing the open system electronic cigarettes from 8% to 65% of wholesale sales price using the FY 2024 reported wholesale liability of \$5.3 million as the starting point. This revenue is deposited to the General Fund. See Table 2 below.

Table 2: Estimated Impact of Open System Electronic Cigarettes Rate Change from 8% to 65%

Fiscal Year	Reported Liability in FY 2024	Tax Rate	Total Revenue	Estimated Increase in General Fund Revenue
FY 2025	\$5,300,000	8%	\$424,000	\$0

FY 2026 and forward	\$5,300,000	65%	\$3,445,000	\$3,021,000
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The Department is not able to estimate a potential impact for closed system electronic cigarettes as it has no data relative to the wholesale sales price to calculate an estimated impact by changing to tax from \$0.30 per milliliter to 65% of wholesale cost.

The proposed legislation would require the Department to update all necessary tax return forms and the Revenue Information Management System (RIMS) to administer the tobacco tax assessed on other tobacco products and e-cigarettes. The Department would be able to absorb these costs without any additions to its operating budget.

AGENCIES CONTACTED:

Department of Revenue Administration