



## New Hampshire's Proposed Tobacco Tax Hike Is Regressive and Ignores Long-Term Trends

### Key Points:

- **Proposal Overview:** HB 1596 would raise New Hampshire's excise tax on cigarettes and little cigars by 57 percent, increasing the rate from \$1.78 to \$2.80 per pack, to fund the University System of New Hampshire and eliminate premiums for CHIP and the Granite Advantage Health Care Program.
- **Revenue Allocation:** The bill is projected to generate \$83.9 million in new tobacco tax revenue, with 61 percent going to the General Fund and 39 percent to the Education Trust Fund, while repealed health premiums would increase annual state spending by about \$16 million beginning in FY 2027.
- **Unstable Funding Source:** Tobacco taxes provide short-term revenue gains but long-term decline. After the 2009 tax hike, revenues initially rose but have since fallen an average of 1.4 percent per year, dropping to \$186.5 million in 2023, below 2009 levels.
- **Smoking Rates at Historic Lows:** Adult smoking in New Hampshire fell to 9.1 percent in 2024, the lowest on record and a 42.2 percent decline since 2009. Smoking among young adults dropped even further, to 3.1 percent, an 88 percent reduction.
- **Regressive Impact:** Tobacco taxes disproportionately burden low-income and less-educated adults, who smoke at much higher rates. In 2024, 28 percent of adults earning \$25,000 or less smoked, compared to 5.3 percent of those earning \$50,000 or more. Adults without a high school diploma were six times more likely to smoke than college graduates.
- **Cross-Border Effects:** New Hampshire's historically lower tobacco taxes have driven out-of-state purchases without increasing smoking prevalence. After Massachusetts banned menthol cigarettes in 2020, New Hampshire's cigarette tax revenue rose 5.3 percent, while adult and young adult smoking rates declined sharply.
- **Equity and Fiscal Risk:** As smoking continues to decline, especially among younger and higher-income residents, tobacco tax hikes increasingly concentrate costs on fewer, more economically vulnerable people, while providing an unreliable funding base for ongoing state programs.
- **Bottom Line:** While restoring education and healthcare funding is a valid goal, HB 1596 relies on a regressive and shrinking revenue source. Policymakers should consider more stable and equitable funding mechanisms rather than expanding dependence on tobacco taxes as smoking rates continue to fall.

Legislation has been introduced in the Granite State that would significantly increase New Hampshire's excise tax on combustible cigarettes and little cigars. The proposal seeks to generate additional revenue to restore funding for the University System of New Hampshire and to eliminate premium payments for two state-run health care programs. While these policy goals



may be well intentioned, funding public programs through tobacco “sin taxes” overlooks a key fiscal reality: tobacco revenues are inherently unstable and tend to decline over time as smoking rates fall. Moreover, tobacco taxes are regressive in nature and disproportionately burden lower-income and lower-educated populations, who smoke at higher rates than other demographic groups.

[House Bill 1596](#) would raise the state excise tax on cigarettes and little cigars by 57 percent, increasing the rate from \$1.78 per pack to \$2.80 per pack. Under the proposal, \$18 million in new revenue would be permanently appropriated each year to the University System of New Hampshire through a designated account, with the stated objective of restoring state support to fiscal year 2024 funding levels. The legislation would also repeal statutory authority allowing New Hampshire to collect premiums from participants in the Children’s Health Insurance Program (CHIP) and the NH Granite Advantage Health Care Program.

According to fiscal estimates, HB 1596 is expected to increase tobacco tax revenue by approximately \$83.9 million. Of this amount, 61 percent (\$51.2 million) would be distributed to the General Fund, while 39 percent (\$32.7 million) would be directed to the Education Trust Fund. At the same time, repealing CHIP premiums is projected to increase state expenditures by roughly \$11 million annually beginning in fiscal year 2027, while eliminating premiums for the state’s Medicaid expansion program is expected to increase expenditures by an additional \$5 million per year.

Historical data suggest that relying on tobacco taxes to support ongoing government programs carries long-term fiscal risk. The last major cigarette tax increase in New Hampshire occurred in 2009, when the rate rose from \$1.33 to \$1.78 per pack. That increase resulted in an immediate 20.3 percent rise in tobacco tax revenue, from \$190.8 million in 2009 to \$229.6 million in 2010. However, [tobacco tax revenue has declined](#) steadily since then, falling by an average of 1.4 percent per year. By 2023, New Hampshire collected just \$186.5 million in tobacco tax revenue – \$4.3 million less than the amount collected in the year the tax increase was passed.

This downward trend coincides with continued declines in smoking prevalence. In 2024, data from the Centers for Disease Control and Prevention’s [Behavioral Risk Factor Surveillance System](#) (BRFSS) showed that only 9.1 percent of New Hampshire adults aged 18 or older were current smokers – the lowest rate ever recorded in the state and a 42.2 percent decline since 2009. Smoking among young adults has fallen even more sharply. In 2024, just 3.1 percent of adults aged 18 to 24 reported currently smoking, representing an 88 percent reduction since 2009.



Cigarette and tobacco taxes also disproportionately affect lower-income populations. According to the 2024 BRFSS, 28 percent of New Hampshire adults earning \$25,000 or less reported currently smoking, compared to only 5.3 percent of adults earning \$50,000 or more. Lower-income adults were therefore more than five times as likely to smoke as higher-income earners. Educational attainment shows similar disparities. Among adults without a high school diploma or GED, 22.6 percent were current smokers in 2024, compared to just 3.7 percent of adults with a college degree – making those without a high school education more than six times as likely to smoke.

New Hampshire’s comparatively low tobacco tax rate has also produced notable cross-border economic effects. As neighboring states have enacted higher tobacco taxes and product prohibitions, New Hampshire has seen increased out-of-state purchases without a corresponding increase in smoking prevalence or smoking-related public health costs. For example, after Massachusetts implemented a menthol cigarette ban in 2020, New Hampshire’s cigarette tax revenue increased by 5.3 percent between 2020 and 2021, rising from \$199.5 million to \$228.3 million. During the same period, the share of New Hampshire adults who smoked declined by 11.5 percent, while smoking among young adults fell by 45.8 percent. Comparatively, smoking rates among Massachusetts adults by only 4.5 percent, while young adult rates rose by 8.8 percent.

While the data indicate that while tobacco tax increases may generate short-term revenue gains, they are unlikely to provide a stable or equitable funding source over time. As smoking rates continue to decline – particularly among younger and higher-income populations – reliance on tobacco taxation increasingly concentrates costs on fewer, more economically vulnerable residents. Policymakers should take note of the long- term fiscal and equity implications before adopting policies that expand dependence on tobacco tax revenues to fund essential state programs.

Nothing in this analysis is intended to influence the passage of legislation, and it does not necessarily represent the views of Tobacco Harm Reduction 101.