

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

1. **Patron** R. Lee Ware

3. **Committee** House Finance

4. **Title** Tobacco Products Tax; Cigars

2. **Bill Number** HB 1572

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would limit the tax rate imposed on the selling or distributing of cigars by a distributor or remote retail seller at 20 percent of the manufacturer's sales price or 30 cents (\$0.30) per cigar, whichever is lower.

The bill would require the Department of Taxation ("the Department") to update its Form TT-8, Virginia Tobacco Products Tax Return, to begin collecting data on the number of premium cigars sold as a distinct category from all other cigars. The term "premium cigar" would have the same meaning as that term is used under in 21 C.F.R. § 1114.3. This bill would require the Department to update its form as soon as practicable.

Also, this bill would require the Department to provide a report of the data so collected and estimated fiscal impacts of adopting a cap of 30 cents (\$0.30) per cigar or another rate on the tobacco products tax imposed on premium cigars to the Chairmen of the House Committee on Finance and the Senate Committee on Finance and Appropriations before December 1, 2025.

Under current law, cigars are taxed at 20 percent of the manufacturer's price.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

**6. Budget amendment necessary:** Yes:

Page 1, Revenue Estimates

Item(s): 258 and 260, Department of Taxation

**7. Fiscal Impact Estimates are:** Preliminary (See Line 8.)

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
	\$109,780	0	General Fund
2026	\$2,253,674	0	General Fund
	(\$2,253,674)	0	Special Dedicated
2027	\$2,335,626	0	General Fund

	(\$2,335,626)	0	Special Dedicated
2028	\$2,277,235	0	General Fund
	(\$2,277,235)	0	Special Dedicated
2029	\$2,220,304	0	General Fund
	(\$2,220,304)	0	Special Dedicated
2030	\$2,164,796	0	General Fund
	(\$2,164,796)	0	Special Dedicated
2031	\$2,110,677	0	General Fund
	(\$2,110,677)	0	Special Dedicated

**7b. Revenue Impact:**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF-Unrestricted	(\$16,865)	(\$17,479)	(\$17,042)	(\$16,616)	(\$16,200)	(\$15,795)
GF-Restricted	(\$8,302)	(\$8,604)	(\$8,389)	(\$8,179)	(\$7,975)	(\$7,776)
Total GF	(\$25,168)	(\$26,083)	(\$25,431)	(\$24,795)	(\$24,175)	(\$23,571)
Trans. Trust Fund	(\$6,701)	(\$6,945)	(\$6,772)	(\$6,602)	(\$6,437)	(\$6,276)
Local Option	(\$7,446)	(\$7,717)	(\$7,524)	(\$7,336)	(\$7,152)	(\$6,974)
Other	(\$3,730)	(\$3,866)	(\$3,769)	(\$3,675)	(\$3,583)	(\$3,494)
Healthcare Fund	(\$2,253,674)	(\$2,335,626)	(\$2,277,235)	(\$2,220,304)	(\$2,164,796)	(\$2,110,677)

**8. Fiscal implications:**

Administrative Costs

This bill would result in administrative costs to the Department of Taxation, as shown in Line 7a above. These costs include systems, processing, and form changes related to the requirement that the Department of Taxation update its Form TT-8 to begin collecting data on the number of premium cigars sold as a distinct category from all other cigars. The Department of Taxation anticipates such updates would not be available until October 1, 2025.

Revenue Impact

This bill would have an estimated negative revenue impact as shown in Line 7b above. These estimates assume that Item 3-5.19 of the Introduced Budget bill would be updated in a manner consistent with this bill.

Department of Medical Assistance Services

Item 288 C 2 of the Appropriation Act (Chapter 2, 2024, Acts of Assembly, Special Session I) requires that revenues deposited to the Virginia Health Care Fund only be used as the state share of Medicaid. As such, any actions that reduce revenue deposited to the Virginia Health Care Fund will require a dollar-for-dollar General Fund increase in the Medicaid program.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Department of Medical Assistance Services

**10. Technical amendment necessary:** No.

**11. Other comments:**

Tobacco Products Tax

Under current law, the Tobacco Products Tax is imposed on cigars, smokeless tobacco, pipe tobacco, loose leaf tobacco, liquid nicotine, and heated tobacco products. Effective July 1, 2020, the 2020 Appropriation Act doubled the tobacco products tax rates on all products subject to the tax and imposed the tax on liquid nicotine at the rate of \$0.066 per milliliter. Most tobacco products, other than moist snuff, loose leaf tobacco, and liquid nicotine are subject to the tax at the rate of 20% of the manufacturer's sales price. This includes cigars and pipe tobacco.

The tobacco products tax is generally paid by licensed distributors based on the "manufacturer's sales price," which is the actual price for which a manufacturer, manufacturer's representative, or any other person sells tobacco products to an unaffiliated distributor.

The 2024 Appropriation Act

Item 3-5.19 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) imposes a tax rate of 20 percent of the manufacturer's sales price. Item 4-13 of the act specifies that it supersedes other contradictory law. Therefore, the provisions of this bill would not take effect if Item 3-5.19 continues to conflict with the provisions of this bill and Item 4-13 continues to apply to such conflict.

Proposal

This bill would limit the tax rate imposed on the selling or distributing of cigars by a distributor or remote retail seller at 20 percent of the manufacturer's sales price or 30 cents (\$0.30) per cigar, whichever is lower.

The bill would require the Department to update its Form TT-8, Virginia Tobacco Products Tax Return, to begin collecting data on the number of premium cigars sold as a distinct category from all other cigars. The term "premium cigar" would have the same meaning as that term is used under in 21 C.F.R. § 1114.3. This bill would require the Department to update its form as soon as practicable.

Also, this bill would require the Department to provide a report of the data so collected and estimated fiscal impacts of adopting a cap of 30 cents (\$0.30) per cigar or another rate on the tobacco products tax imposed on premium cigars to the Chairmen of the House Committee on Finance and the Senate Committee on Finance and Appropriations before December 1, 2025.

If enacted during the regular session of the 2025 General Assembly this bill would become effective July 1, 2025.

Similar Legislation

**Senate Bill 1162** is identical to this bill.

cc : Secretary of Finance

Date: 01/14/2025 KS  
HB1572F161