

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

- 1. **Patron** R. Lee Ware
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Tobacco Products Tax; Cigars

- 2. **Bill Number** HB 1572
- House of Origin:**  
 **Introduced**  
 **Substitute**  
 **Engrossed**
- Second House:**  
 **In Committee**  
 **Substitute**  
 **Enrolled**

**5. Summary/Purpose:**

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 cigars sold at a sales price of equal to or greater than \$1.50 as a distinct category from all other cigars. This bill would require the Department to update its form or devise another appropriate method for data collection as soon as practicable. This bill would also 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 cigars to the Chairmen of the House Committee on Finance and the Senate Committee on Finance and Appropriations before January 15, 2026.

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.  
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>
2024-25	\$3,430	0	GF
2025-26	\$20,100	0	GF

**8. Fiscal implications:**

Administrative Costs

This bill would result in the Department incurring costs as shown above, to update the Department’s systems to support the tax processing and technology aspects of the bill.

## Revenue Impact

The bill would have no impact on local or state revenues.

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

Department of Taxation

### **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.

#### Proposal

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 cigars sold at a sales price of equal to or greater than \$1.50 as a distinct category from all other cigars. This bill would require the Department to update its form or devise another appropriate method for data collection 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 cigars to the Chairmen of the House Committee on Finance and the Senate Committee on Finance and Appropriations before January 15, 2026.

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

cc : Secretary of Finance

Date: 02/07/2025 KS  
HB1572FH1161