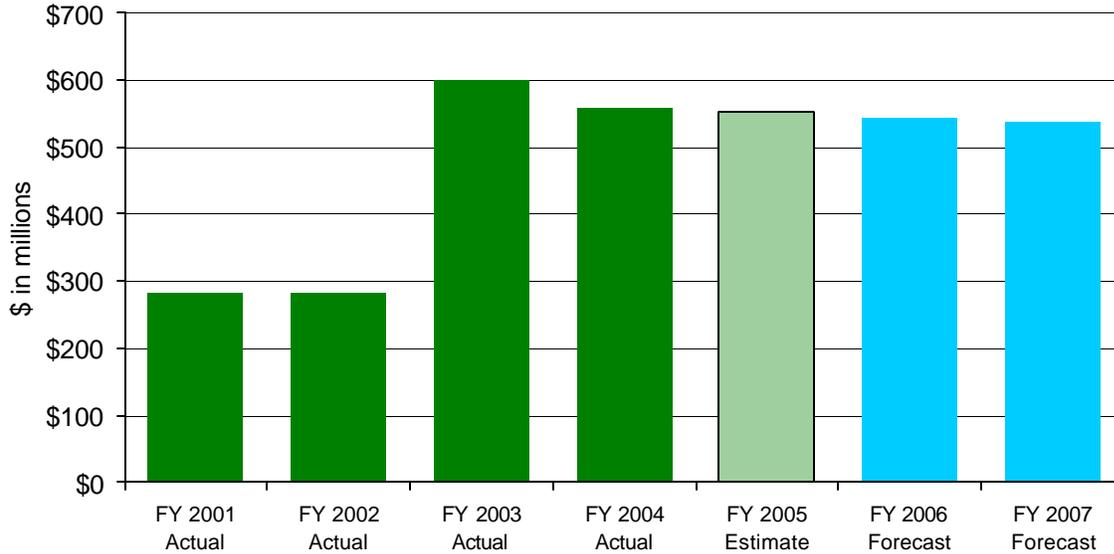


**Cigarette and Other Tobacco Products Tax**

**GRF Revenues from the Cigarette and  
 Other Tobacco Products Tax**  
 (in millions)



	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 Forecast	FY 2007 Forecast
Revenue	\$282.5	\$281.3	\$599.9	\$557.5	\$551.0	\$543.0	\$536.5
Growth	-1.8%	-0.4%	113.3%	-7.1%	-1.2%	-1.5%	-1.2%

The cigarette and other tobacco products tax is levied on cigarettes, cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products. Cigarettes are taxed at a rate of 55 cents per package of 20 cigarettes. Other tobacco products are taxed at 17% of their wholesale price. Revenue collected from the tax is deposited into the General Revenue Fund.

Am. Sub. S.B. 261 increased the tax rate on cigarettes from 24 cents per pack of 20 cigarettes to 55 cents per pack on July 1, 2002. The tax rate on other tobacco products was unchanged. Prior to the rate increase, revenues from taxed cigarettes were generally 91% to 93% of receipts from the tax on cigarette and other tobacco products. Revenues from the other tobacco products provided between 7% and 9% of the tax receipts. After the tax rate increase, the tax base of the other tobacco products became a much smaller share of the total cigarette and other tobacco product tax base, between 4% and 5% of total tax receipts.

The forecast for the cigarette and tobacco product tax is primarily based on trend analysis of the consumption of both cigarettes and other tobacco products. It is expected that smokers will continue to make downward adjustments to their consumption of taxed cigarettes for various reasons, including health. Some cigarette consumers switched to other tobacco products, which have increased tax revenues from that source 4% to 5% per year. The long-term annual decline in cigarette consumption, which has been between 1% and 2%, is expected to continue. Additional factors, such as increases in cigarette prices, increases in the share of nontaxed cigarettes (smuggling and Internet purchases), and smoking bans in public places in various communities may create an even steeper decline in consumption of taxed cigarettes in future years.

The chart below provides estimated cigarette consumption and tax revenues from FY 2000 through FY 2004, and estimated revenues in FY 2005. Revenues in the chart exclude receipts from the tax on other tobacco products. Also, FY 2003 revenues exclude \$35.3 million from the tax on cigarettes in inventory when the rate was raised on July 1, 2002.

**Consumption of Taxed Cigarettes and Tax Revenues  
FY 2000 to FY 2004, and FY 2005 estimates**

