

Restructuring the Smokeless Tobacco Tax

How Smokeless Tobacco is Currently Taxed in Texas

The State of Texas imposes an excise tax on certain products to compensate society for the harm they cause. This “sin tax” is typically applied to products with negative health consequences like beer, wine, liquor, cigarettes and cigars.

While most excise taxes are applied equally on a per-unit basis, the excise tax on smokeless tobacco is calculated on 40 percent of the manufacturer’s list price. The current method Texas uses to tax smokeless tobacco products allows less expensive brands to avoid paying their share of the harm they cause and deprives the state of excise tax revenue.

Restructuring Texas’ Tax on Smokeless Tobacco

H.B. 1876 and S.B. 2527 would restructure the way Texas taxes smokeless tobacco by imposing a \$1.10 per ounce tax on all smokeless tobacco products and set a minimum weight of 1.2 ounces for each product. This would result in a \$1.32 per can tax being applied equally and consistently to all smokeless tobacco products.

The bill also includes a provision to increase the per-unit tax by 3 cents each year over four years, ultimately raising the tax on smokeless tobacco products to \$1.46. This level would bring the tax on smokeless tobacco products in line with the current tax on cigarettes, which is \$1.41.

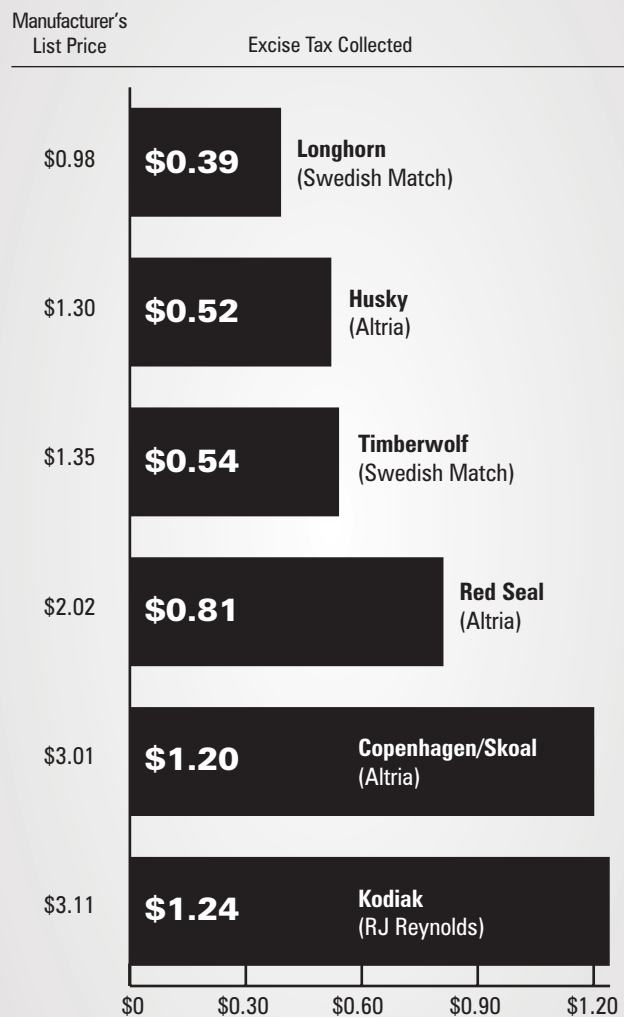
Protects Existing Revenue Allocations

This legislation protects and increases existing tax revenue streams currently allocated to both general revenue and property tax relief. Closing the smokeless tobacco tax loophole would not deprive general revenue or property tax relief allocations of any funding.

H.B. 1876/S.B. 2527 Is an Investment in Texas’ Health Care Workforce Infrastructure

Texas can put in place an innovative loan repayment program for physicians, dentists and other health care providers to serve the state’s most underserved areas. It will remove one of the most significant barriers to physicians choosing to practice primary care and strengthen the state’s primary care infrastructure, thereby reducing unnecessary hospitalizations and costly trips to the emergency room. This bill is the right investment for Texas to ensure patients are able to access and receive the right care at the right time in the right setting.

TEXAS’ CURRENT TAX METHOD MEANS EQUIVALENT PRODUCTS CARRY DIFFERENT TAX BURDENS



Why should these smokeless tobacco products be taxed differently for the harm they cause Texans?