

April 1, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 926 (Nash) As Proposed to be Amended (H0926DE2)

	Fund Impact			
	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
		(000's)		
General Fund	(\$100)	\$0	\$0	\$0

Effective for premium cigars brought into the state of Minnesota after December 31, 2025.

EXPLANATION OF THE BILL

Current Law: A 95% of wholesale tax is imposed on all tobacco products manufactured or brought into the state. The tax on premium cigars is the lesser of 95% of the wholesale price or \$0.50 per premium cigar. A manufacturer or distributor can receive a credit or refund for any tobacco products tax paid on cigars shipped out of the state. Premium cigars are defined as any cigar that is hand-constructed, has a wrapper that is made entirely from whole tobacco leaf, has a filler and binder that is made entirely of tobacco, except for adhesives or other materials used to maintain size, texture, or flavor, and has a wholesale price of no less than \$2.

Proposed Law: The bill, as proposed to be amended, would create an upfront exemption from the tobacco products excise tax. Premium cigars intended to be shipped out of Minnesota would not be subject to the tobacco products excise tax when manufactured or brought into the state. Additional licensing requirements, including posting of a bond, would be required for any premium cigar distributors selling premium cigars out of state.

REVENUE ANALYSIS DETAIL

- Information on out-of-state credits from the Tobacco Products Excise Tax form TB301 was used.
- The change to an upfront exemption would lower tax revenue coming in, and later increase revenue by not having to provide credits or refunds. Fiscal year 2026 will see only a decrease, subsequent years will net to zero impact.
- It is assumed that most credits awarded occur during the same fiscal year as the initial tax paid, meaning there would be no fiscal year shift.
- It is assumed that one quarter's worth of premium cigar credits would cross fiscal years.
- The fiscal year 2026 estimate is adjusted for six months of impact.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>