

Subject Premium cigars; out of state sales

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Overview

H.F. 926 would allow a premium cigar tax exemption for premium cigars that are intended to be sold out of state, provided that a tobacco products distributor receives an endorsement on their distributor's license and complies with a variety of bond, reporting, and return requirements.

Premium cigars (along with other tobacco products) are taxed at the wholesale level, when a tobacco products distributor brings the cigars into Minnesota. For cigars that are then shipped for sales outside of Minnesota, a tobacco products distributor is allowed a refund for the tax paid. This bill would allow an upfront exemption instead of a refund for certain premium cigars brought into the state by a premium cigar endorsee.

Summary

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| 1 | <p>Premium cigar endorsee.</p> <p>Defines "premium cigar endorsee" as a licensed tobacco products distributor that has received the premium cigar endorsement under section 2.</p> <p>Effective date: day following final enactment.</p> |
| 2 | <p>License endorsement for premium cigars to be sold out of this state.</p> <p>Requires a tobacco products distributor to obtain an endorsement on their license to qualify for the exemption under section 4.</p> <p>Requires a premium cigar endorsee to file a bond for at least \$50,000 with the commissioner of revenue, to cover potential delinquent tax, fees, penalties, and interest.</p> <p>A separate bond and endorsement would be required for each of the distributor's locations where exempt premium cigars are stored.</p> |

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Effective date: day following final enactment.

3 License suspension, cancellation, nonrenewal, or revocation.

Subd. 1. Powers of commissioner. Conforming change that allows the commissioner to revoke or suspend a premium cigar endorsement.

Subd. 2. Refusal to issue or renew; revocation. Allows the commissioner to refuse to issue or renew, or revoke a premium cigar endorsement if the endorsee violates the exemption conditions provided in section 4.

Subd. 2a. Refusal to issue or renew; revocation. Conforming change allowing the commissioner to cancel or not renew an endorsement under certain conditions applying to licensees.

Subd. 3. Notice. Conforming change applying the notice provisions for license revocations and suspensions to premium cigar endorsements.

Effective date: day following final enactment.

4 Premium cigars sold outside this state.

Allows an exemption under the premium cigar tax for premium cigars brought into Minnesota by a premium cigar endorsee, provided that:

- the cigars are intended to be sold outside the state;
- the cigars are delivered to the endorsee's licensed premises, to remain until sold;
- the exempt cigars are physically segregated from all other tobacco products and cigarettes, and are not accessible to outlet consumers;
- the endorsee has complied with the bond requirements in section 2;
- the endorsee maintains records on premium cigar shipments; and
- the endorsee files all forms and returns required related to exempt premium cigars.

This section also requires premium cigar endorsees to file a form with the commissioner of revenue detailing out-of-state premium cigar shipments.

Effective date: January 1, 2026.

5 Monthly return; tobacco products distributor.

Requires a distributor to report exempt premium cigars brought into the state. This section also requires the filing of a return for premium cigars initially designated as

Section **Description**

exempt that are later intended to be sold in state, and for premium cigars no longer qualifying for the exemption.

Effective date: January 1, 2026.



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