

**Summary of Proposed Tobacco Tax Rates in the  
Children's Health Insurance Program Bill**

January 12, 2009

Title VII of the CHIPRA bill increases the tobacco excise tax on:

- small cigarettes by 61 cents a pack (to \$1.00 a pack);
- small cigars to \$1.00 a pack (phased in over six years);
- large cigars from 20.72% to 52.4% of price and the per-cigar cap from \$0.05 to \$0.40;
- roll-your-own tobacco to \$24.62 per pound (which is equivalent to the rate for small cigarettes); and
- other tobacco products (pipe tobacco, chewing tobacco, and snuff) proportionately by 156% (the percentage increase on small cigarettes).

The bill imposes a floor stocks tax on all tobacco products (except large cigars) removed before the tax increase dates and held for sale on those dates. The bill strengthens tobacco regulatory and enforcement authority.

<b>Product</b>	<b>Current Law</b>	<b>CHIP</b>	<b>Increase</b>
<i>Pack of 20:</i>			
Small cigarettes	\$0.39	\$1.00	\$0.61
Small cigars	\$0.04	\$1.00	(phased in) \$0.96
Large cigars (of price)	20.72%	52.40%	31.68%
Cap (each)	\$0.05	\$0.40	\$0.35
<i>Per Pound:</i>			
Pipe Tobacco	\$1.10	\$2.81	\$1.71
Chewing Tobacco	\$0.20	\$0.50	\$0.30
Roll-your-own Tobacco	\$1.10	\$24.62	(cig. equiv.) \$23.52
Snuff	\$0.59	\$1.50	\$0.91

**ESTIMATED REVENUE EFFECTS OF THE REVENUE PROVISIONS RELATING TO  
 THE "CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT OF 2009," [1]  
 SCHEDULED FOR CONSIDERATION BY THE HOUSE COMMITTEE ON RULES ON JANUARY 13, 2009**

Fiscal Years 2009 - 2018

[Millions of Dollars]

Provision	Effective	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-13	2009-18
<b>I. Increase Tax Rates and Modify Certain Definitions</b>													
A. Increase in Excise Tax Rate on Tobacco Products and Cigarette Papers and Tubes													
1. Small Cigars.....	ara 3/31/09	23	30	45	50	66	71	87	91	91	91	214	645
2. Large Cigars.....	ara 3/31/09	74	421	416	422	430	439	448	455	463	471	1,763	4,039
3. Cigarettes.....	ara 3/31/09	3,454	6,416	6,115	6,059	6,008	5,956	5,902	5,850	5,793	5,739	28,052	57,292
4. All other tobacco products.....	ara 3/31/09	143	305	286	284	283	281	279	277	274	272	1,301	2,684
B. Modify Definition of Roll-Your-Own Tobacco.....	ara 3/31/09	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	1	2
<b>Total of Increase Tax Rates and Modify Certain Definitions .....</b>		<b>3,694</b>	<b>7,173</b>	<b>6,862</b>	<b>6,815</b>	<b>6,788</b>	<b>6,748</b>	<b>6,716</b>	<b>6,673</b>	<b>6,622</b>	<b>6,574</b>	<b>31,331</b>	<b>64,664</b>
<b>II. Strengthen Regulatory and Enforcement Authority With Respect to Tobacco and Alcohol</b>													
A. Permit, Reporting, and Recordkeeping Requirements for Manufacturers and Importers of Processed Tobacco.....	4/1/09												
													----- Negligible Revenue Effect -----
B. Broaden Authority to Deny, Suspend, and Revoke Tobacco Permits.....	DOE												
													----- Negligible Revenue Effect -----
C. Clarify Statute of Limitations Pertaining to Excise Taxes Imposed on Imported Alcohol, Tobacco Products, and Cigarette Papers and Tubes.....	aiiUSa DOE												
													----- Negligible Revenue Effect -----
D. Impose Immediate Tax on Unlawfully Manufactured Tobacco Products and Cigarette Papers and Tubes.....	DOE												
													----- Negligible Revenue Effect -----

Provision	Effective	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-13	2009-18
E. Use of Tax Information in Tobacco Assessments [3].....	DOE	[2]	1	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	1	2
F. Study Concerning Magnitude of Tobacco Smuggling in the United States.....	[4]												
								No Revenue Effect					
<b>Total of Strengthen Regulatory and Enforcement Authority With Respect to Tobacco and Alcohol .....</b>		[2]	1	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	1	2
III. Modify Timing for Corporate Estimated Tax Payment [5] .....	DOE					603	-603					603	
<b>NET TOTAL .....</b>		3,694	7,174	6,862	6,815	7,391	6,145	6,716	6,673	6,622	6,574	31,935	64,666

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

- aitUsa = articles imported into the United States after
- ara = articles removed after
- DOE = date of enactment

[1] Revenue estimates are prepared using our 2009 estimating models, which rely on the Congressional Budget Office's January 2009 macroeconomic forecasts. The Congressional Budget Office plans to prepare a March revision to its baseline macroeconomic assumptions. If large-scale stimulus legislation is enacted early in 2009, the Congressional Budget Office's March 2009 revised macroeconomic forecasts could be expected to differ, perhaps significantly, from their January 2009 counterparts. In that case, we anticipate that we would revise our 2009 estimating models to reflect the Congressional Budget Office's March 2009 macroeconomic forecasts: revenue estimates prepared using these revised March 2009 macroeconomic inputs again could differ, perhaps materially, from revenue estimates of the same request using our 2009 models with January 2009 macroeconomic forecasts.

[2] Gain of less than \$500,000.

[3] Estimate provided by the Congressional Budget Office.

[4] The study will be completed no later than one year after the date of enactment.

[5] Increase by 1 percentage points the required corporate estimated tax payments factor for corporations with assets of at least \$1 billion for payments due in July, August, and September 2013.