



BILL/VERSION:	SB 680/ ENGROSSED	ANALYST: MM
AUTHORS:	Sen. Paxton/Rep Caldwell	DATE: 3/27/2025
TAX(ES):	Cigarette Tax & Sales Tax	
SUBJECT(S):	Tax Rate	
EFFECTIVE DATE:	November 1, 2025	Emergency <input type="checkbox"/>

ESTIMATED REVENUE IMPACT:

FY26 & FY27: Unknown minimal decrease in state sales tax revenues. Unknown minimal increase in cigarette excise tax revenues.

ANALYSIS: The measure expands the definition of cigarettes to include “products that are intended to be heated or burned”. It establishes a 50% tax exemption for the sale of cigarettes designed to be heated rather than burned and mandates that the OTC issue stamps for these products before the effective date. Currently, these “heated cigarettes” may be subject to sales tax¹; however, the volume of such sales is unknown but is believed to be minimal. Consequently, this measure is expected to result in a minimal, indeterminate decrease in state sales tax revenues and an increase in cigarette excise tax revenues for FY26 and FY27.

ADMIN CONCERNS & Administrative Impact:

Implementing the measure is expected to require at least five months, which may present challenges in meeting the November 1, 2025 effective date. Additionally, it is anticipated to result in a one-time administrative cost of approximately **\$150,000 in FY26**.

¹The OTC is evaluating the taxability of the product (heating device and cigarette) should this product be sold in the state of Oklahoma.

4/15/25

DATE

Huan Gong

DR. HUAN GONG, CHIEF TAX ECONOMIST

4/15/25

DATE

Marie Schuble

MARIE SCHUBLE, DIVISION DIRECTOR

4/15/25

DATE

Joseph P. Gappa

JOSEPH P. GAPPA, FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.