



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

May 21, 2025

Honorable Michelle Au
State Representative
611-G Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 83 (LC 50 0959)

Dear Representative Au:

The bill would increase the current \$0.37 per pack excise tax on cigarettes to \$0.57 per pack, with the additional funds having a stated purpose of addressing healthcare issues.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase revenue as shown in Table 1. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 50 0959

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Increase	\$59.6	\$56.4	\$54.1	\$51.9	\$49.8

Impact on Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Per capita consumption of cigarettes has been in decline in Georgia. Recent data show 455 million packs of cigarettes were taxed in Georgia in 2017, representing 43.6 annual packs per Georgia resident, while in 2023, the most recent full year of data available, 359 million packs were taxed or 32.5 annual packs per capita, representing a decline in per capita consumption of 3.9 percent per year. Existing trends for cigarette consumption per capita are assumed to continue.

In addition to the expected continuation of this decline in tobacco consumption, an increase in excise tax rates would be expected to have behavioral effects due to higher retail prices, as more people reduce the amounts they consume, quit outright, or switch to alternatives.

Research into cigarette consumption published in the Journal of Health Economics in 2021 found that a 1-percent increase in the final price of a pack of cigarettes results in a 0.98-percent decline, on average, in the quantity of cigarettes purchased (a -0.98 price elasticity). Other research published in 2022 in Tobacco Prevention & Cessation found that a 1-percent increase in the final price of a pack of cigarettes predicted a reduction in the quantity between 0.4 and 0.6 percent. Research published in the Journal of Health Economics in 2022 and 2023 found lower price elasticities for cigarettes, -0.4 and -0.3, respectively. These findings guide assumptions as to how high or low the behavioral response could be to the tax changes proposed in this bill.

The revenue impact estimates of the proposed changes are based on the following data and assumptions:

- Based on the prevailing literature on the price elasticity of cigarettes, the high behavioral response estimates assume a -0.9 long-run price elasticity after the first year of higher prices; the first-year response is assumed to be half that, a price elasticity of -0.45. The low behavioral response estimates assume a price elasticity of -0.3 throughout.
- Calculations based on data from Orzechowski and Walker's "Tax Burden on Tobacco," indicated that the final retail price of a pack of cigarettes, inclusive of all existing taxes, was \$6.83 in Georgia in 2017 and \$8.47 in 2024. The estimates assume that this trend, a 3.12 annual percent increase in the final retail price of cigarettes, will continue absent the proposed tax change. The tax rate increase proposed under LC 50 0959 will increase the retail price of cigarettes by 2.15 percent in 2027, the first full year under the proposed rate. By 2030, the increased rate under this bill is expected to increase the final retail price of cigarettes by 1.96 percent. Calendar year price estimates are converted into FY's using averaging.
- The bill would be effective upon signing by the governor, but for simplicity, the estimates assume that the new tax rate would become effective July 1, 2026, the first day of FY 2027.

Table 2 details the high- and low-response estimates for cigarette prices and consumption under LC 50 0959, based on these data and assumptions.

Table 2. Prices and Consumption Under Alternate Behavioral Response Assumptions

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cigarette Retail Price Per Pack:					
Current Law and Baseline Trend	\$9.49	\$9.78	\$10.08	\$10.38	\$10.70
Under LC 50 0959	\$9.69	\$9.98	\$10.28	\$10.58	\$10.90
Projected Tax Rate	\$0.57	\$0.57	\$0.57	\$0.57	\$0.57
Cigarette Consumption (millions of packs):					
Baseline	304.9	292.4	280.2	268.5	257.2
High Response, Low Revenue Case	302.0	286.9	275.1	263.7	252.8
Low Response, High Revenue Case	303.0	290.6	278.5	266.9	255.7

Baseline, high-response low revenue, and low-response high revenue estimates are detailed in Table 3, based on the consumption and tax rate estimates in Table 2. Because the high and low behavioral response cases are very similar the FY 2027–31, estimates in table 1 are the midpoint between the implied FY revenue gains from Table 3.

Table 3. Cigarette Tax Revenues Under Alternate Behavioral Response Assumptions

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Law and Baseline Trend	\$112.8	\$108.2	\$103.7	\$99.3	\$95.2
High Response, Low Revenue Case	\$172.2	\$163.5	\$156.8	\$150.3	\$144.1
Low Response, High Revenue Case	\$172.7	\$165.6	\$158.8	\$152.1	\$145.8