



March 24, 2026

Senate Committee on Finance
Testimony in Opposition to H7127 Article 5, Section 4 and Governor's Budget Amendment #5

Dear Members of the Senate Finance Committee,

The Cigar Association of America (CAA) submits the following testimony in opposition to House Bill 7127 Article 5, Section 4 and Governor's Budget Amendment #5. CAA is the leading national trade organization representing the interests of cigar manufacturers, importers, distributors, and major suppliers in the cigar and pipe tobacco industry and therefore is a key stakeholder in any discussion on the regulation of these products, as any changes in law significantly impacts its members and their ability to conduct business.

By design, the current cigar tax cap supports local businesses and the State's revenue collection by ensuring that the tax rate for these products is reasonable to the consumer and competitive with neighboring jurisdictions in Connecticut and Massachusetts. Raising the cigar tax cap to \$1.00 would add an additional \$20 to the cost of a box of cigars! This will be a significant barrier for consumers considering whether or not to purchase cigars in the State. The proposed tax increase on cigars will eliminate Rhode Island's advantage, pushing consumers to shop in neighboring, lower taxed jurisdictions.

As of 2024, according to research by the Tax Foundation, most cigar-taxing states use a cap, and many set it at or below Rhode Island's current 50-cent level. These caps recognize that cigars are used differently from cigarettes, are consumed far less frequently, and are not substitutes for daily smoking. Raising Rhode Island's cap to \$1.00 moves the state further away from national norms and will cause adult consumers, who are already buying fewer non-essential products, to abandon local businesses in Rhode Island.

Cigars are already niche market, representing only 2.1% of Rhode Islanders and trends show perennial decline - over 50% in the last 20 years.^{1 2} Youth smoking has dropped 75% in the last ten years!³ Increasing the tax on cigars is unjustified given the low impact on public health.

We urge the Committee to reject the cigar tax cap increase proposed in H7127 Article 5, Section 4 and Governor's Budget Amendment #5.

Respectfully submitted,

Scott Pearce -- President, Cigar Association of America, Inc

¹ Rhode Island Department of Health. (2025). *Tobacco Use in Rhode Island: 2024 Health Risk Behavior Report*. Rhode Island Department of Health, Center for Health Data and Analysis.

² Centers for Disease Control and Prevention. (2005). *2004 Behavioral Risk Factor Surveillance System Survey Data*. U.S. Department of Health and Human Services, Centers for Disease Control and Prevention.