

March 24, 2026

Senate Committee on Finance
Rhode Island Senate
82 Smith Street
Providence, RI 02903

Subject: H.7127 Governor's Budget Article 5 – Opposition to proposed cigarette excise tax increase

Dear Chair DiPalma and Members of the Senate Committee on Finance:

Thank you for the opportunity to submit comments on H.7127. Reynolds American Inc. (RAI) and its operating companies¹ oppose the proposed cigarette excise tax increase included in H.7127.

Increasing the cigarette tax is regressive, will drive consumers across state borders, increase illicit smuggling, hurt local businesses, and jeopardizes state revenue.

Cigarette Taxes are Regressive

Cigarette excise taxes are regressive and disproportionately harm lower-income Rhode Islanders, who are more likely to smoke and who spend a larger share of their disposable income on cigarettes. According to the CDC's Behavioral Risk Factor Surveillance System, 45% of Rhode Island smokers have a household income of less than \$35,000 and 60% less than \$50,000.

Consumers Will Cross State Lines

Rhode Island already has the second highest state excise tax on cigarettes at \$4.50 per pack; second only to New York (\$5.35 per pack). Rhode Island's small geographic size and proximity to lower-tax states make it vulnerable to cross-border cigarette purchases. Rhode Island already has the highest cigarette tax among neighboring Connecticut (\$4.35 per pack) and Massachusetts (\$3.51 per pack). A significant tax increase creates a strong incentive for consumers to buy cigarettes elsewhere, which undermines both revenue and public health goals.

Tax Disparities Invite Crime and Smuggling

Criminals have been smuggling cigarettes from lower-tax states into Rhode Island for decades because of the state's high cigarette excise tax rate. A van with 50 cases of cigarettes from Virginia (\$0.60 per pack) can currently make an estimated \$117,000 profit on the black market due to the tax disparity between the two states; a tractor-trailer with 800 cases can expect an estimated \$1.9 million in profit. In October 2025, a Swansea, Massachusetts man pleaded guilty to smuggling dozens of cartons of cigarettes from New Hampshire to Massachusetts and selling them at a lower cost.²

Harmful to Local Businesses

With no Rhode Island smoker more than 20 miles from a neighboring state, consumers will purchase their cigarettes at nearly 650 retailers within 10 miles of Rhode Island's border costing small businesses in the Ocean State. These consumers not only buy cigarettes, but also food, groceries, gas and other items. According to the National Association of Convenience Stores 2015 State of the Industry Report, in the year following the 2009 cigarette tax increase, the number of convenience stores in the state decreased by 50. That led to about 891 lost jobs and a decrease of \$1.4 million in employee wages.

Jeopardizing State Revenue

When New York increased the state cigarette tax from \$4.35 to \$5.35 in 2023, the state's own fiscal analysis estimated that revenue would actually decrease \$22 million in outyears as a result of illicit activity.³ Rhode Island already loses an estimated \$25.4 million annually from smuggled cigarettes, with nearly 6 million packs being brought in from surrounding states.⁴ This represents approximately 17% of all cigarettes consumed in Rhode Island.

Conclusion

Adult and youth smoking rates are at historic lows in this country today. There is no reason to believe that this additional tax will accelerate that downward trend. Rather, what we know from direct experience in Rhode Island and other states, is that it will result in unintended burdens, costs, illicit trade, lost jobs, lost revenue, and other serious risks described above.

In conclusion, RAI opposes the proposed cigarette excise tax increase without regard for the likely impacts of those tax increases.



Testimony by RAI Services Company

¹ RAI Services Company (RAIS) is a wholly owned subsidiary of Reynolds American Inc. (RAI) that coordinates government relations matters for RAI and its subsidiary operating companies.

² <https://www.wpri.com/news/local-news/se-mass/swansea-man-pleads-guilty-tax-evasion-for-selling-untaxed-cigarettes/>

³ https://nyassembly.gov/2023budget/2023bills/executive/rev_memo.pdf

⁴ <https://www.mackinac.org/smokes#map>