

An Economic Argument and Impact Assessment of Uniform & Lower Premium Cigar Taxes

**Produced for
The Premium Cigar Association
&
The Cigar Association of America**



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An Economic Argument and Impact Assessment of Uniform & Lower Premium Cigar Taxes Preface

Preface

This study, commissioned by the Premium Cigar Association and the Cigar Association of America, quantifies the economic impact of tariffs and state excise tax policies on premium cigars in the United States. The analysis evaluates both national and state-level effects, modeling how changes in import tariffs and state excise tax structures, including ad valorem percentage rates and per-cigar caps, affect overall economic activity, employment, earnings, and fiscal revenue.

Economic impacts are expressed in terms of output (total sales revenue), earnings (labor income), value-added (contribution to GDP), and employment (jobs supported). Using the U.S. Bureau of Economic Analysis (BEA) RIMS II multiplier system, this study captures the direct, indirect, and induced effects of premium cigar production, importation, distribution, and retail operations. The analysis also estimates state and local tax collections under alternative tariff and tax scenarios.

The national tariff analysis includes a combined scenario that models recently enacted tariff levels on all imported premium cigars. These estimates show the potential range of impacts from moderate to significant tariff increases on U.S. sales, employment, and tax revenues. A separate scenario models the effect of a 100 percent tariff on premium cigars imported from Nicaragua, reflecting a potential trade policy action that would disproportionately affect the U.S. cigar market, given that Nicaragua supplies almost 60% of all U.S. premium cigar imports.

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Each scenario quantifies how higher import costs affect retail prices, domestic sales, employment, and state and local tax revenue. These national results are complemented by state-level simulations that evaluate how different excise tax caps or rate adjustments can help stabilize revenue collections and reduce the loss of out of state sales. The study also incorporates border-bleed effects, accounting for sales that shift across state lines when significant tax differentials exist.

Specific goals of the study are to:

- Quantify the direct, indirect, and induced economic impacts of tariff and tax policy changes on the premium cigar industry.

- Evaluate how state-level tax structures and caps influence consumer behavior, retail activity, and public revenue.

This analysis was prepared for the Premium Cigar Association and the Cigar Association of America. Findings remain the sole property of the Association and may not be reproduced without prior approval.

Any errors or misstatements contained in this study are solely the responsibility of the authors. Please address all correspondence to:

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¹This study was prepared by Dr. Ernest Goss and Goss & Associates Economic Solutions, an independent economic research firm. It was not produced by, nor does it represent the views of, Creighton University

An Economic Argument and Impact Assessment of Uniform & Lower Premium Cigar Taxes

Executive Summary

This study, prepared for the Premium Cigar Association and the Cigar Association of America, quantifies the national and state-level economic and fiscal impacts of current and proposed U.S. tariff and tax policies on premium cigars. Using the U.S. Bureau of Economic Analysis RIMS II multiplier system, the report estimates both the direct and spillover (indirect and induced) effects of import tariffs and excise tax structures on sales, jobs, wages, and state and local tax revenue.

National Tariff Scenarios

The analysis models two import tariff scenarios. Under the combined 10% and 18% tariff scenario beginning August 2025 compared to 0% tariffs in 2024:

- Total U.S. economic output declines by \$115.7 million.
- GDP (value-added) falls by \$70.5 million.
- Labor earnings decrease by \$39.9 million.
- Approximately 1,009 full-time equivalent jobs are lost nationwide.
- State and local tax collections fall by \$5.3 million.

Although federal tariff collections would increase, the policy acts as a tax on American retailers and consumers. The largest losses occur in retail trade, wholesale, real estate, and finance, which together account for most of the decline in sales, employment, and local collections.

100% Tariff on Nicaraguan Premium Cigars

A separate scenario models a 100% tariff on premium cigars imported from Nicaragua, which supplies roughly 60 percent of all U.S. premium cigar imports. The analysis projects that a 100% tariff would:

- Reduce total U.S. output by \$2.06 billion.
- Lower GDP (value-added) by \$1.26 billion.
- Cut labor earnings by \$711 million.



- Eliminate nearly 18,000 full- and part-time jobs.
- Decrease state and local tax revenues by approximately \$95 million.

These findings show that broad or country-specific tariffs on premium cigars function primarily as a tax on American retailers, consumers, and state tax bases rather than as a tool to promote domestic industry.

State-Level Tax and Cap Scenarios

Key results across state-level scenarios show that:

- States adopting a \$0.30–\$0.50 per-cigar cap experience measurable gains in output, employment, and tax revenue.
- Higher percentage-based taxes without caps consistently reduce in-state sales and total tax collections.

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•When one state raises its tax above its neighbors, consumers shift purchases out of state, eroding the state's fiscal base.

These results confirm that tax policy design, specifically the balance between percentage rates and caps, directly influences the competitiveness of in-state retailers and the stability of state and local revenue.

Table EX1.1: Cigar Tax Scenarios and Economic Impacts (2025 Dollars)

St.	Scenario	Change in Output (\$)	Change in Earnings (\$)	Jobs (±)	Change in GDP (Value-Added) (\$)	Change in State & Local Taxes (\$)	Net Impact
CA	Raise to 54.27%	–\$9,679,772	–\$3,312,074	–83	–\$5,909,841	–\$307,994	NEG.
CA	Cap \$0.30	\$342,515,012	\$117,196,473	2,942	\$209,117,447	\$10,898,252	POS
CA	Cap \$0.50	\$320,177,077	\$109,553,225	2,750	\$195,479,353	\$10,187,496	POS
CO	Cap \$0.30	\$330,796,062	\$114,185,845	2,884	\$201,727,098	\$10,679,868	POS
CO	Cap \$0.50	\$308,985,333	\$106,657,108	2,694	\$188,426,410	\$9,969,321	POS
CO	Raise to 62%	–\$16,535,627	–\$5,707,851	–144	–\$10,083,808	–\$383,887	NEG.
CO	Reduce to 40%	\$44,198,030	\$15,256,498	385	\$26,952,982	\$1,016,646	POS

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St.	Scenario	Change in Output (\$)	Change in Earnings (\$)	Jobs (±)	Change in GDP (Value-Added) (\$)	Change in State & Local Taxes (\$)	Net Impact
DE	Cap \$0.30	\$16,448,572	\$5,677,801	143	\$10,030,720	\$112,119	POS
DE	Cap \$0.50	\$14,268,640	\$4,925,321	124	\$8,701,347	-\$57,104	POS
DE	Raise to 45%	-\$9,908,778	-\$3,420,362	-86	-\$6,042,602	-\$186,784	NEG.
DE	Reduce to 15%	\$9,908,778	\$3,420,362	86	\$6,042,602	\$130,481	POS
GA	Cap \$0.30	\$40,611,693	\$14,018,548	354	\$24,765,951	\$891,615	POS
GA	Cap \$0.50	\$32,801,752	\$11,322,673	286	\$20,003,268	\$715,466	POS
HI	Cap \$0.30	\$53,096,693	\$18,328,183	463	\$32,379,593	\$1,210,726	POS
HI	Cap \$0.50	\$48,966,950	\$16,902,658	427	\$29,861,180	\$1,181,534	POS
IL	Raise to 45%	-\$18,979,042	-\$6,551,281	-166	-\$11,573,859	-\$921,643	NEG.
IL	Cap \$0.75	\$54,659,641	\$18,867,689	477	\$33,332,714	\$1,679,468	POS
IN	Raise to 30%	-\$10,795,259	-\$3,726,362	-94	-\$6,583,199	-\$243,397	NEG.
IN	Cap \$0.30	\$34,113,018	\$11,775,303	297	\$20,802,908	\$781,245	POS
IN	Cap \$0.50	\$28,067,673	\$9,688,540	245	\$17,116,317	\$638,915	POS
IN	Cap \$1.00	\$12,954,311	\$4,471,634	113	\$7,899,839	\$292,774	POS
LA	Cap \$0.50	\$13,050,214	\$4,504,738	114	\$7,958,323	\$295,038	POS
ME	Raise to 75%	-\$92,626,787	-\$31,973,379	-808	-\$56,485,960	-\$2,586,942	NEG.
ME	Cap \$0.30	\$93,373,778	\$32,231,229	814	\$56,941,491	\$2,450,474	POS
ME	Cap \$0.50	\$72,209,055	\$24,925,484	630	\$44,034,753	\$1,930,498	POS
MA	Cap \$0.30	\$121,808,295	\$42,046,399	1,062	\$74,281,519	\$2,998,656	POS
MA	Cap \$0.50	\$110,607,532	\$38,180,063	964	\$67,451,034	\$3,295,838	POS
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St.	Scenario	Change in Output (\$)	Change in Earnings (\$)	Jobs (±)	Change in GDP (Value-Added) (\$)	Change in State & Local Taxes (\$)	Net Impact
MA	Raise to 80%	-\$140,009,535	-\$48,329,194	-1,221	-\$85,381,056	-\$3,848,692	NEG.
MI	Cap \$0.30	\$54,263,966	\$18,594,818	467	\$33,123,548	\$1,111,432	POS
MI	Raise to 57% No Cap	-\$105,950,394	-\$36,306,382	-912	-\$64,673,728	-\$2,162,136	NEG.
MS	Cap \$0.30	\$20,106,512	\$6,940,467	175	\$12,261,416	\$482,277	POS
MS	Cap \$0.50	\$13,404,341	\$4,626,978	117	\$8,174,278	\$319,830	POS
MS	Raise to 30%	-\$30,464,411	-\$10,515,858	-266	-\$18,577,903	-\$719,360	NEG.
MS	Raise to 40%	-\$50,875,567	-\$17,561,484	-444	-\$31,025,099	-\$1,199,226	NEG.
NE	Cap \$0.50	\$9,284,000	\$3,204,701	81	\$5,661,603	\$264,346	POS
NH	Raise to 67%	-\$10,209,076	-\$3,524,020	-89	-\$6,225,731	-\$239,344	NEG.
NJ	Cap \$0.30	\$245,781,504	\$84,840,093	2,143	\$149,883,252	\$6,869,484	POS
NJ	Cap \$0.50	\$213,208,051	\$73,596,225	1,859	\$130,019,206	\$6,056,961	POS
NJ	Raise to 50%	-\$197,513,570	-\$68,178,726	-1,722	-\$120,448,348	-\$6,516,927	NEG
NM	25% No Cap	-\$672,650,987	-\$232,189,044	-5,865	-\$410,198,146	-\$16,074,578	NEG.
NM	Raise to 57% No Cap	-\$1,976,559,053	-\$682,278,576	-17,233	-\$1,205,351,475	-\$47,506,225	NEG.
NY	Cap \$0.50	\$82,360,000	\$26,670,000	643	\$50,640,000	\$2,860,000	POS
NY	Raise to 95%	-\$24,710,000	-\$8,000,000	-193	-\$15,190,000	-\$846,068	NEG.
NY	Raise to 129%	-\$66,630,000	-\$21,580,000	-520	-\$40,970,000	-\$2,280,000	NEG.
OR	Cap \$0.50	\$56,604,361	\$19,538,977	494	\$34,518,650	\$1,466,109	POS
OR	Remove Cap	-\$321,512,769	-\$110,981,392	-2,803	-\$196,065,931	-\$8,289,873	NEG.
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St.	Scenario	Change in Output (\$)	Change in Earnings (\$)	Jobs (±)	Change in GDP (Value-Added) (\$)	Change in State & Local Taxes (\$)	Net Impact
RI	Remove Cap	-\$146,295,765	-\$50,499,107	-1,275	-\$89,214,545	-\$20,015	NEG.
VA	Cap \$0.30	\$60,679,856	\$17,598,916	387	\$37,792,876	\$1,489,052	POS
VA	Cap \$0.50	\$46,925,756	\$13,609,828	299	\$29,226,491	\$1,147,380	POS
WA	Cap \$0.72	-\$11,380,120	-\$3,928,247	-99	-\$6,939,860	-\$292,005	NEG.
WA	Remove Cap	-\$788,331,922	-\$272,120,370	-6,873	-\$480,743,059	-\$20,131,670	NEG.
WY	Cap \$0.30	\$4,172,436	\$1,440,263	36	\$2,544,448	\$85,978	POS
WY	Cap \$0.50	\$3,226,684	\$1,113,803	28	\$1,967,707	\$64,785	POS
Source: Goss & Associates using U.S. BEA Rims II							

Combined Economic Impact of State Tax Scenarios

Table EX1.2 presents the combined economic results from the states included in this analysis. The table summarizes estimated changes in output, gross domestic product (GDP), earnings, employment, and state and local tax revenue under each policy scenario. Results are based on RIMS II modeling completed for twenty-two states, with available data on premium-cigar taxation and retail activity. Each state's results were weighted by its share of total economic output to provide a composite measure. The number of states varies by scenario: the \$0.30 and \$0.50 cap scenarios include 22 states, the tax-increase scenario includes 8 states, and the cap-removal (no-cap) scenario includes 5 states. Overall, moderate per-cigar caps (\$0.30 & \$0.50) support economic growth, employment, and tax collections, while higher rates or cap removals reduce sales, industry output, and total revenue. The figures show how these alternative tax structures affect overall economic measures across the modeled states.

States included in each scenario:

- \$0.30 and \$0.50 Cap Scenarios (22 states): California, Colorado, Delaware, Georgia, Hawaii, Illinois, Indiana, Louisiana, Maine, Massachusetts, Michigan, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, New York, Oregon, Rhode Island, Virginia, Washington, and Wyoming.
- Tax-Increase Scenario (8 states): California, Colorado, Delaware, Illinois, Maine, Massachusetts, Michigan, and New York.

- Cap-Removal (No-Cap) Scenario (5 states): Michigan, New Mexico, Oregon, Rhode Island, and Washington.

Table EX1.2: Combined Economic Impact of State Tax Scenarios (2025 Dollars; Combined Direct, Indirect, and Induced Effects)

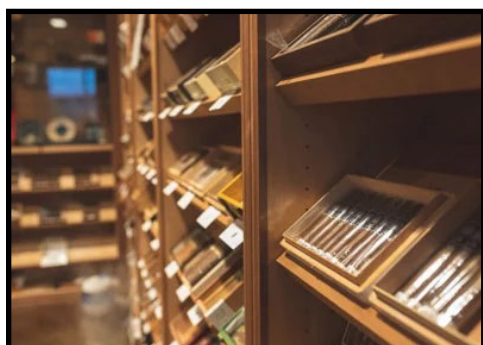
Scenario Type	Total Output Change	Total GDP Change	Total Earnings Change	Jobs	Total Change in State & Local Tax Revenue
All States: \$0.30 Cap	+\$1.50 billion	+\$915 million	+\$490 million	+13,500 jobs	+\$50.9 million
All States : \$0.50 Cap	+\$1.33 billion	+\$820 million	+440 million	+12,100 jobs	+\$45.2 million
All States Tax Increase Scenarios	-\$590 million	-\$375 million	-\$195 million	-5,200 jobs	-\$12.7 million
All States: Cap Removal (No Cap)	-\$3.21 billion	-\$2.04 billion	-\$820 million	-29,300 jobs	-\$93.0 million
Source: Goss & Associates based on U.S. BEA RIMS II					

Conclusions and Policy Implications

The analysis shows that tariff increases and uncapped ad valorem taxes both suppress sales, employment, and total state and local tax revenue. In contrast, moderate per-cigar caps provide a stable, predictable tax framework that encourages legal in-state purchases and supports small businesses.

Because premium cigars are almost entirely imported and sold through U.S.-based small retailers and distributors, both trade and tax policy changes primarily impact domestic small business owners, workers, and state revenue systems rather than foreign producers.

Policies maintaining stable tariff levels and adopting



reasonable state tax caps protect jobs, sustain local economies, and ensure reliable tax collections without encouraging out of state sales.

The analysis shows that tariff increases and uncapped ad valorem taxes both suppress sales, employment, and total state and local tax revenue. In contrast, moderate per-cigar caps provide a stable, predictable tax framework that encourages legal in-state purchases and supports small businesses.