

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 635** HLS 23RS 1159

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP HSE COMM AMD**

Sub. Bill For.:

Date: April 30, 2023	3:11 PM	Author: HOLLIS
Dept./Agy.: Revenue/Treasury		Analyst: Deborah Vivien
Subject: Increase tax on vape products		

REVENUE/TAXATION DEPT OR +\$14,900,000 GF RV See Note Page 1 of 1
 Increases the rate of the excise tax on vapor products and electronic cigarettes and dedicates a portion of the avails of such increase to payment of salaries and related benefits for La. State Police
Current law imposes a tax of \$0.05 per milliliter of consumable nicotine liquid solution or other material containing nicotine that is depleted as a vapor product is used.

Proposed law increases the current tax from \$0.05 per milliliter to \$0.30 per milliliter. Proposed law dedicates half of all proceeds of the tax to LA State Police Salary Fund.

Effective July 1, 2023
 Proposed Committee Amendment #1618

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$9,900,000	\$9,900,000	\$9,900,000	\$9,900,000	\$9,900,000	\$49,500,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$14,900,000	\$14,900,000	\$14,900,000	\$14,900,000	\$14,900,000	\$74,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$24,800,000	\$24,800,000	\$24,800,000	\$24,800,000	\$24,800,000	\$124,000,000

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) indicates the need for \$52,750 for programming, testing and system development costs to administer the tax. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill will increase vaping product tax proceeds by an estimated \$24.7 M over the estimated \$5 M already collected, or \$29.7 M total. Currently, this tax remains in the state general fund. The bill dedicates half of the tax to the LA State Police Salary Fund. Using FY 23 collections through March projected over the remaining months of the fiscal year, the LA State Police Salary Fund will receive an estimated \$14.9 M (half of \$29.7 M) and the state general fund will receive net increase of \$9.9 M (\$14.9M from the proposed tax of \$0.30 less an estimated \$5 M from the current tax of \$0.05). Current collections of vaping liquid tax proceeds have been increasing annually since FY 16 and totaled about \$5.5 M in FY 22, which was more than double FY 21 collections, though certain timing issues and not necessarily economic activity may have impacted this increase in FY 22. Should vaping sales continue to increase, these figures would also increase.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger
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Interim Legislative Fiscal Officer