

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 26, 2023	5:31 PM	Author: HOLLIS
Dept./Agy.: Revenue/Treasury		Analyst: Deborah Vivien
Subject: Increase tax on vape products		

REVENUE/TAXATION DEPT

OR SEE FISC NOTE GF RV

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 replaces the current tax with a tax equal to 15% of the retail sales price of the same consumable liquid and expands the taxation to retail sales of the devices and cartridges used to consume the liquid. Proposed law dedicates half the proceeds of the tax to LA State Police Salary Fund.

Effective July 1, 2023

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>	<u>\$0</u>
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
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>	<u>\$0</u>
Annual Total						

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 changes the taxation of vaping liquid from volume basis (milliliters sold) to a price basis (retail price), which cannot be readily translated using the current reporting requirements. LDR reports that it currently does not gather information related to retail sales price, only the number of taxable milliliters sold. The bill also expands taxation to retail sales of vaping products, such as e-cigarettes and cartridges containing the liquid as defined in R.S. 47:842(20). The proposed tax rate will be 15% of the retail price, with half of proceeds deposited to the LA State Police Salary Fund and half remaining in the state general fund. The proceeds of current taxation on nicotine vaping liquids remain in the state general fund.

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. After the translation to a price base, the state general fund will lose half the proceeds to the LA State Police Salary Fund. It is not clear which way this will impact the SGF. However, expanding the taxable base to all vaping products would subject more sales to taxation, which will increase state general fund and statutory dedications since those products are not currently taxed, though the magnitude of the SGF increase is not known. Further, with fewer dealers at the wholesale level, where the current tax is primarily being collected, LDR reports better compliance than at the retail level where the proposed tax will be collected from many dealers, which increases uncertainty in the estimate for both new and currently taxed items.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Interim Legislative Fiscal Officer