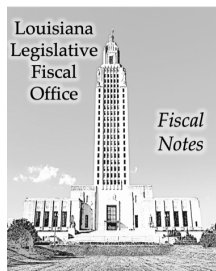


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 635** HLS 23RS 1159
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 9, 2023 6:27 PM	Author: HOLLIS
Dept./Agy.: Revenue/Treasury	Analyst: Deborah Vivien
Subject: Increase tax on vape products	

REVENUE/TAXATION DEPT EG +\$22,000,000 SD 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. The proceeds accrue to the state general fund.

Proposed law increases the current tax from \$0.05 per milliliter to \$0.30 per milliliter. Proposed law dedicates the first \$22 M in proceeds to LA State Police Salary Fund to provide for salaries.

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>	\$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.	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$14,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$110,000,000
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 is estimated to 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 the first \$22 M 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 up to \$22 M and the state general fund will receive the remainder, estimated at \$2.8 M (\$29.7 M from the proposed tax of \$0.30 less the \$22 M for LSP and 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. However, the lack of future growth evidenced in the fiscal note acts a proxy for any potential reduction in consumption should the price increase implied by the bill influence sales. Furthering the uncertainty, testimony identified certain methods of sale for vaping products that may allow for tax evasion processes that are difficult to detect.

Should collections not materialize as expected, the SGF would either not receive the \$2.8 M as anticipated or, in addition to the shortage, may be required to cover any deficit in LSP salary obligations paid through the LA State Police Salary fund.

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
Alan M. Boxberger
Interim Legislative Fiscal Officer