

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 179** HLS 23RS 301

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: May 16, 2023	7:47 AM	Author: WHEAT
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Prohibition of sales of certain vaping products		

TOBACCO/TOBACCO PRODUCTS

EG DECREASE GF RV See Note

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Provides relative to the sale of certain vapor products for electronic cigarettes and similar devices

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. Vaping products are also subject to state sales tax. The proceeds primarily accrue to the state general fund.

Proposed law prohibits the sale or service of consumable nicotine liquid solution or other material containing a characterizing flavor on or about any premises which sells tobacco products, alternative nicotine products or vapor products.

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.	\$95,000	\$77,000	\$77,000	\$77,000	\$77,000	\$403,000
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	\$95,000	\$77,000	\$77,000	\$77,000	\$77,000	\$403,000

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$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						

EXPENDITURE EXPLANATION

Initially, the Office of Alcohol and Tobacco Control (ATC) indicated that enforcement efforts are currently accommodated in the budget, and no additional permits will be required. However, after publication of the fiscal note, ATC submitted a revised fiscal note response stating that this bill will require 4 additional agents at a total cost of \$381,000 in FY 24 and \$225,000-\$250,000 annually thereafter. The justification concerned enforcement efforts spread among the 30 agents at ATC that will take longer given the specific nature of the prohibited products as conducted by more than 7,000 businesses selling tobacco products.

The Legislative Fiscal Office does not concur that four agents are needed to implement this bill but concedes that one additional agent may alleviate the extra time requirements possible with enforcement of more nuanced product prohibitions as compared to existing efforts. To the extent one agent proves insufficient, additional resources may be required. The expense of one agent is valued from the submitted ATC figures divided by 4, which is rounded to \$95,000 in FY 24 and \$55,000 annually thereafter (plus 40% for related benefits). ATC indicates that self-generated revenue (SGR) is available to cover the additional expenses, which is substantiated by actual collections compared to appropriations over the last 5 years. As an agency allowed to retain SGR each year, ATC currently has about \$11.2 M in reserve and has collected an average of \$372,000 more than appropriated each year for the last 5 years. When comparing actual collections to actual spending through FY 22, ATC has added an average of \$1.1 M to reserves annually since FY 18.

REVENUE EXPLANATION

The bill will serve to reduce state general fund revenue by an amount equal to current excise and sales taxes collected on products that would no longer be allowed for sale. Current collections of excise tax on liquid nicotine are roughly \$5M per year and sales tax of an indeterminate amount is collected on the retail purchase of vaping products.

To the extent that these products contain characterizing flavors, defined in the bill as certain listed flavors other than tobacco, mint or menthol imparted prior to or during consumption, the sale prohibition would reduce state general fund. It is also not clear the extent to which consumers will instead buy vaping liquids or products that do not contain characterizing flavors, which would continue to be available.

The bill does not appear to address the availability of these products online as the sale and service prohibition in the bill is based on the premises of the sale. However, it is also not clear whether online vendors are in compliance with sales and excise tax remittance requirements.

Senate
 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}

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