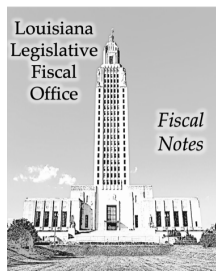


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 517** HLS 25RS 878
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 23, 2025 8:09 AM	Author: BRASS
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Vape and E-cig taxation	

TAX/TOBACCO TAX EG SEE FISC NOTE SD RV See Note Page 1 of 1
 Increases the excise tax levied on vapor products and electronic cigarettes and changes the basis of the tax to a percentage of the invoice price of these products
Current law levies an excise tax on consumable liquid containing nicotine depleted as a vapor product of 15 cents per milliliter, paid at the wholesale level. Current law dedicates the first \$22 M to LA State Police Salary Fund and the next \$6 M to the Department of Wildlife and Fisheries, Office of State Fire Marshal, and Office of the State Public Defender Compensation Fund. The first \$600,000 from this fund is distributed to ATC with the remainder split equally between WLF, State Fire Marshal and State Public Defender for salaries and related benefits. Taxes collected in excess of \$28 M flow to the SGF.
Proposed law changes the taxation from a volume-based calculation of 15 cents per milliliter of consumable liquid to a price-based calculation of 33% of the invoice price on an expanded list of vape products sold at the retail and wholesale level, including devices. Dedications remain unchanged.
 Effective January 1, 2026

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total


EXPENDITURE EXPLANATION
 The Department of Revenue and Alcohol and Tobacco Control report anticipated system costs of \$52,750 to accommodate the changes to the excise tax. The law indicates that inventory in place on December 31, will not be taxed, though sellers of vape products may be required to collect this tax. The bill provides no obvious mechanism to identify inventory. However, a voluntary inventory list is to be submitted to LDR by December 31.

REVENUE EXPLANATION
 The bill revamps the vape excise tax by removing the volume component (15 cents per milliliter of consumable liquid) and making it a price-based tax (33% of invoice price) at the wholesale or retail level, though most tax is currently collected at the wholesale level. Additionally, the bill expands the base of the excise tax to all vape products, including devices or other containers of consumable liquid. Currently, vape products other than consumable liquid are subject to state and local sales tax and under the bill would also be subject to the excise tax. Although existing vape excise taxes are primarily paid at the wholesale level with detailed reporting, data is not available regarding the level of sales of other vape products as they are not required to be separated on the sales tax returns. The first year impact will be roughly half that of the subsequent years.

The LFO is without access to in-depth research into pricing and volume packaging necessary to properly estimate the bill's impact with reasonable accuracy. Ideally, a comparison of a price equivalent tax rate resulting from the current 15 cent per milliliter tax on consumable liquids would allow a reasonable estimate of the direction of the impact, particularly since the consumable liquid appears to have sales of a more recurring nature. However, LFO can find no definitive way to determine a statewide average price and package volume of consumable liquid sales in order to compute an estimated current tax rate to compare to 33%. Whatever this computed rate is could effectively drive the results of the fiscal impact. If current taxation is equal to or less than 33% of the consumable liquid invoice price, the bill's impact is a net increase in revenue that can be added to the tax on previously untaxed products discussed below. If the current taxation of consumable liquid is greater than 33% of the invoice price, the bill's impact would be a reduction in revenue that may or may not be greater than the increased tax on previously untaxed vapor products.

LFO understands and agrees that collecting 33% of previously untaxed vape product will generate an increase in revenue for the dedicated funds (consumer behavior due to a 33% price increase notwithstanding). However, it is not clear whether the cumulative effect of the bill would result in a net increase or decrease in revenue. Without detailed knowledge of the statewide market evidenced by data that is not currently captured, the possibility exists that taxation of liquid sales under the bill will result in a decrease in excise tax collections, which could more than offset any increase in revenue resulting from the newly taxed vape product sales. For these reasons, the impact of the bill is indeterminate.

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|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |


Alan M. Boxberger
Legislative Fiscal Officer