

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.47 An act relating to the taxation of electronic cigarettes – As Passed by House

<https://legislature.vermont.gov/Documents/2020/Docs/BILLS/H-0047/H-0047%20As%20Introduced.pdf>

Bill Summary

This bill applies the 92% wholesale price tax on other tobacco products to electronic cigarettes and their paraphernalia. It changes the definition of “Other Tobacco Products” to include products sold as a tobacco substitute, including any liquid, nicotine based or not, or delivery devices sold separately for use with a tobacco substitute.

Fiscal Summary

This bill would raise revenues of approximately \$850,000 in Fiscal Year (FY) 2020. Due to significant growth in the electronic cigarette industry, JFO estimates that this revenue stream will grow to \$985,000 in FY 2021 and \$1.1 million in FY 2022. This revenue would be dedicated to the State General Fund¹.

Fiscal Year	FY 2020	FY 2021	FY 2022
Revenue Impact (GF)	+\$850,000	+\$985,000	+\$1.1 million

The administrative and implementation costs are judged to be minimal because the proposal would not require any changes to Department of Taxes’ forms or processing of returns.

This tax on electronic cigarettes is not estimated to have significant impacts on other tobacco-related revenue streams, including the cigarette tax or the smokeless tobacco tax. Research has also shown that the users of electronic cigarettes are less likely to switch between tobacco products; they are younger and are more likely to have never used another tobacco product before using electronic cigarettes.² Furthermore, should this bill pass, there would be little to no monetary incentive to using one tobacco product over the other.

¹ Assuming H.97 (An act relating to fiscal year 2019 budget adjustments) of the 2019 Session is enacted into law. Otherwise, all revenues from this tax would be dedicated to the State Healthcare Resources Fund.

² Centers for Disease Control. “Electronic Cigarettes: What’s the Bottom Line?”

https://www.cdc.gov/tobacco/basic_information/e-cigarettes/pdfs/Electronic-Cigarettes-Infographic-508.pdf

Appendix

This estimate was based upon a combination of sources:

- The Minnesota Department of Revenue, which provided data on revenues collected from their tax on electronic cigarettes from FY 2017. Minnesota currently applies a 95% wholesale price tax on other tobacco products, including electronic cigarettes.
- The Pennsylvania Department of Revenue, which estimated that in FY 2017, their 40% wholesale price tax on electronic cigarettes generated approximately \$13.7 million.
- Information from the Centers for Disease Control and Prevention on the usage and sales of electronic cigarettes in Vermont³.
- Estimates of market growth for the electronic cigarette industry from three different sources:
 - Mordor Intelligence⁴
 - Allied Market Research⁵
 - P&S Market Research⁶

³ “National and State-Specific Unit Sales and Prices for Electronic Cigarettes, United States, 2012–2016” Centers for Disease Control and Prevention. August 2018. https://www.cdc.gov/pcd/issues/2018/17_0555.htm.

⁴ “E-Cigarette Market-Growth Trends and Forecasts (2019-2024).” Mordor Intelligence. March 2018. <https://www.mordorintelligence.com/industry-reports/global-e-cigarettes-market-industry>

⁵ “Electronic Cigarette Market by Product Type: Global Opportunity Analysis and Industry Research.” Allied Market Research. January 2018. <https://www.alliedmarketresearch.com/electronic-cigarette-market>

⁶ “E-Cigarette Market by Product - Global Size, Share, Development, Growth, and Demand Forecast, 2013-2023” September 2018. https://www.researchandmarkets.com/research/hkxdzs/44_6_billion?w=4