

FISCAL NOTE

June 26, 2017

Bill No:	SB 508	Printer's No:	PN 0504	Sponsor:	Bartolotta
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COST / (SAVINGS)

Fund (s)	2016-17	2017-18
General Fund	"See Fiscal Impact"	\$17.2 million plus administrative costs

SUMMARY: This legislation amends the Tax Reform Code (Act 2 of 1971) relating to tobacco products tax, further providing for definitions, for the incidence and rate of tax and the imposition of a vapor products tax.

ANALYSIS: SB 508 amends the Tax Reform Code (Act 2 of 1971), in tobacco products tax, removing definitions related to electronic cigarettes and removing electronic cigarettes' designation as a tobacco product. Additionally, this legislation eliminates the forty percent wholesale tax on electronic cigarettes that is currently charged to the retailer.

This legislation creates a "Vapor Products Tax" article establishing an excise tax on vapor products at a rate of five cents per milliliter. Any vapor product that is exported for sale outside of the commonwealth or any vapor product that is not subject to taxation by the commonwealth would be exempt from this tax.

Under this legislation, retailers will be required to file a monthly report with the Department of Revenue. The tax generated by the retailer shall be due at the time of filing. Any person that willfully evades the payment of the tax will be charged with a felony and upon conviction will be sentenced to pay costs of prosecution and fines up to \$5,000, or imprisonment for not more than five years, or both.

Any retailer engaging in sales of a vapor product without a valid license will be charged with a summary offense and upon conviction will be sentenced to pay costs of prosecution and a fine of not less than \$250 up to \$1,000, or imprisonment for not more than 30 days, or both.

The Department of Revenue shall adopt rules and regulations for the enforcement of this act.

This act shall take effect in 60 days.

FISCAL IMPACT: The department estimates one time IT costs totaling \$136,000 for system changes. Personnel costs are estimated to total approximately \$515,000 annually. Minimal costs related to document production and mailings are also anticipated. The department estimates the impact to the general fund through the elimination of the forty percent wholesale tax and the creation of the five cent per milliliter excise tax will result in a loss of \$17.2 million in 2017-2018, \$19.3 million in 2018-2019, \$19.5 million in 2019-2020, \$19.6 million in 2020-2021, and \$19.6 million in 2021-2022.