

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 7143
BILL NUMBER: HB 1218

NOTE PREPARED: Jan 7, 2025
BILL AMENDED:

SUBJECT: Ban on E-liquids and Vapor Products.

FIRST AUTHOR: Rep. Rowray
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill prohibits a person from distributing, selling, offering to sell, making a delivery sale of, or offering for barter or exchange an e-liquid or vapor product in Indiana after June 30, 2025.

Effective Date: July 1, 2025.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC):* The ATC would enforce the bill’s prohibition of distributing, selling, offering to sell, making a delivery sale of, or offering for barter or exchange an e-liquid or vapor product in Indiana. The ATC may investigate violations, impose penalties, and revoke or suspend tobacco sales certificates for violations of the bill’s provisions. The bill’s requirements would increase the ATC’s workload and potentially increase enforcement costs.

Explanation of State Revenues: *Summary* - The bill would reduce revenue beginning in FY 2026 from the E-cigarette Tax, Other Tobacco Products Tax, and Sales Tax. The estimated total revenue decline is \$35.1 M in FY 2026 and \$35.6 M in FY 2027. [The table below shows the estimated revenue loss from each tax impacted by the bill.] The revenue loss to the General Fund could be approximately \$22.7 M in FY 2026 and \$22.5 M in FY 2027.

Estimated Revenue Loss (Millions)		
Revenue Source	FY 2026	FY 2027
Other Tobacco Products Tax	\$22.4	\$23.5
E-Cigarette Tax	\$4.0	\$3.4
Sales Tax	\$8.7	\$8.7
Total	\$35.1	\$35.6

In addition, there would be an increase in civil penalty revenue from the ban on the sale of e-liquid and vapor products, and the ban may reduce the number of tobacco sales certificates, leading to a decrease in renewal fees.

Additional Information - Other Tobacco Products, E-cigarette, and Sales Taxes: The estimated revenue loss from the ban on e-liquid and vapor products is based on forecasted revenue for the Electronic Cigarette Tax and Other Tobacco Products Tax. The tax on closed system cartridges was added to the Other Tobacco Products Tax in FY 2023. The estimated decrease in Other Tobacco Products Tax is expected to be around 35% based on the increase in revenue in FY 2023.

Twenty-five percent of the Other Tobacco Products Tax revenue is deposited in the Affordable Housing and Community Development Fund, and the remaining 75% is distributed to the following funds: General Fund (56.84%), Healthy Indiana Plan Trust Fund (27.05%), Pension Relief Fund (5.43%), Cigarette Tax Fund (4.22%), State Retiree Health Benefit Trust Fund (4%), and General Fund for Medicaid reimbursements (2.46%).

All revenue from the Electronic Cigarette Tax is deposited into the General Fund. Sales Tax revenue is deposited in the General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

Tobacco Sales Certificates: The bill provides that a retailer's tobacco sales certificate may be revoked if they sell e-liquid or vapor products. To the extent that the bill results in fewer active tobacco sales certificates, revenue from renewal fees could decrease. The \$200 fee for a certificate is paid every three years and is deposited in the Enforcement and Administration Fund. [As of November 2024, there are 8,298 active tobacco sales certificates with 1,399 that have been renewed so far in 2024.]

Civil Penalty: The bill allows the ATC to collect a maximum fine of \$10,000 plus additional penalties assessed for violating the provisions of the bill. This provision could potentially increase revenue the ATC collects from civil penalties by an indeterminable amount.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Other Tobacco Products Tax:* Revenue distributed to cities and towns would decrease to the extent that Other Tobacco Products Tax revenue declines. Distributions could decrease by an estimated \$0.5 M beginning in FY 2026. [Cities and towns receive two-thirds of revenue distributed to the Cigarette Tax Fund.]

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: Cities and towns.

Information Sources: State Revenue Forecast, December 17, 2024. Chris Serak, Alcohol and Tobacco Commission. Legislative Services Agency. *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2024.

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