

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2651 - SB 2645

February 23, 2020

**SUMMARY OF BILL:** Establishes a tax of \$0.031 on each milligram of liquid nicotine and an additional \$0.0005 per packaged unit of liquid nicotine to be retained by the Department of Revenue as an enforcement and administration fee.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$26,872,800/FY20-21/General Fund  
\$2,700/FY20-21/Department of Revenue**

**\$53,745,600/FY21-22 and Subsequent Years/General Fund  
\$5,400/FY21-22 and Subsequent Years/  
Department of Revenue**

Assumptions:

- The proposed legislation is effective January 1, 2021.
- Based on Fiscal Review Committee staff research, approximately 833,524 Tennesseans use vapor products or electronic cigarettes.
- It is estimated the average liquid nicotine product has 40 milligrams of nicotine, and that the average user consumes one unit a week, or 1,733,729,920 (833,524 Tennesseans x 40mg x 52 weeks).
- The total increase from the tax on milligrams of liquid nicotine is estimated to be \$53,745,628 (1,733,729,920 x \$0.031).
- It is estimated that the average packaged unit of liquid nicotine is a package of four.
- The total increase in state revenue from the tax per package is therefore estimated to be \$5,418  $\{[(833,524 \times 52) / 4] \times \$0.0005\}$ .
- Due to the effective date, the first fiscal year impact (FY20-21) will be a half year impact of \$26,872,814 (\$53,745,628 x 50%) to the General Fund and \$2,709 (\$5,418 x 50%) to the Department of Revenue.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

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