



STATES TAXING E-CIGARETTES

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WHAT ARE E-CIGARETTES?

E-cigarettes are battery-operated devices designed to deliver nicotine with flavorings and other chemicals to users in vapor instead of smoke. The devices come in two styles. One is a cigarette-like tube that has a self-contained battery, charger, and liquid tank. It is generally sold in convenience stores for about \$10. The other is a refillable device with a large battery, around the size of a traditional cigarette pack. It is generally sold in specialty vapor shops for about \$25 to \$35 for a starter kit. The tubes of liquid nicotine cost about \$4 for 10 milliliters, enough for hundreds of puffs.

All of the devices require a liquid solution, which generally contains propylene glycol, glycerin, water, nicotine, and flavorings (Povich, Elaine S. "States Look to Tax E-Cigarettes," The Pew Charitable Trusts, January 23, 2015).

ISSUE

Identify states that tax e-cigarettes and those that considered e-cigarette tax legislation in 2015. Provide information on how the taxes work.

Three states (Louisiana, Minnesota, and North Carolina) tax e-cigarettes. In Minnesota, the tax is 95% of the e-cigarette's wholesale cost. In Louisiana and North Carolina, the tax is \$0.05 per milliliter of e-cigarette liquid solution. In addition, Kansas recently enacted a tax of \$.20 per milliliter of e-cigarette solution that takes effect July 1, 2016.

At least 21 other states and the District of Columbia considered e-cigarette taxes in 2015, but did not enact them. Table 1 lists the states, the proposed tax rates, and the bill number. As the table shows, states have generally considered four different approaches to e-cigarettes taxes. These include:

1. a percentage of their wholesale price (generally the state's existing tobacco products tax rate),
2. a percentage of their retail price,
3. a flat rate per milliliter of liquid solution or milligram of nicotine in the liquid solution, and
4. the state's cigarette tax rate.



Table 1: 2015 E-Cigarette Tax Proposals

State	Proposed E-Cigarette Tax Rate (Bill No.)
Alabama	25 cents per ml (HB 224)
Arizona	18 cents per ml (HB 2596)
Arkansas	7.5 cents per ml (HB 1156)
District of Columbia	Tobacco products rate of 70% of wholesale price (Bill 283)
Hawaii	30% of wholesale price (SB 299) Cigarette tax rate of \$3.20 (HB 349)
Indiana	0.83 cents per mg of nicotine per ml (SB 384) Tobacco products rate of 24% of wholesale price (HB 1235)
Kentucky	Tobacco products rate of 15% of wholesale price (HB 438)
Maine	Cigarette tax rate of \$2.00 (HB 670)
Minnesota	30 cents per ml (HF 2218 ; SF 2093)
Montana	0.0173 cents per mg of nicotine per ml (HB 579)
Nevada	Tobacco products rate of 30% of wholesale price (SB 79)
New Hampshire	Tobacco products rate of 73.94% of wholesale price (HB 2)
New Jersey	75% of wholesale price (AB 4251 ; SB 1867)
New Mexico	4 cents per mg of nicotine (SB 65)
New York	Tobacco products rate of 75% of wholesale price (A296 ; S722)
North Carolina	12.8% of wholesale price (HB 939) 3 cents per ml multiplied by the nicotine concentration percentage (SB 407)
Ohio	Cigarette tax rate of \$2.25 (HB 64)
Oregon	Tobacco products rate of 65% of wholesale price (HB 2074 , HB 2134)
Pennsylvania	5 cents per ml (HB 1461)
Vermont	46% of wholesale price (SB 139 , proposed House amendment)
Virginia	40 cents per ml (HB 1310) 18 cents per ml (SB 1004)
Washington	60% of taxable sales price (HB 2211)

Source: Compiled based on National Association of Tobacco Outlets database (http://www.natocentral.org/?page_id=2614, accessed October 2, 2015) and "E-Cigarette Tax Bill Update" (<http://www.cspnet.com/category-news/tobacco/articles/e-cigarette-tax-bill-update>, accessed October 2, 2015)

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