

# OFFICE OF FISCAL ANALYSIS

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<http://www.cga.ct.gov/ofa>

sHB-7200

AN ACT PROHIBITING THE SALE OF CIGARETTES, TOBACCO PRODUCTS, ELECTRONIC NICOTINE DELIVERY SYSTEMS AND VAPOR PRODUCTS TO PERSONS UNDER AGE TWENTY-ONE.

## ***OFA Fiscal Note***

### ***State Impact:***

| <b>Agency Affected</b>         | <b>Fund-Effect</b>  | <b>FY 20 \$</b>     | <b>FY 21 \$</b>     |
|--------------------------------|---|---------------------|---------------------|
| Revenue Serv., Dept.           | GF - Revenue<br>Loss  | 4.3 million         | 5.5 million         |
| Revenue Serv., Dept.           | Various - Revenue<br>Loss   | 600,000             | 800,000             |
| Department of Revenue Services | GF Tobacco<br>Control<br>Enforcement<br>Account -<br>Revenue Gain   | 516,000             | 688,000             |
| Department of Revenue Services | GF Tobacco<br>Control<br>Enforcement<br>Account - Cost  | 582,952             | 599,390             |
| Consumer Protection, Dept.     | GF Electronic<br>Nicotine Delivery<br>System and Vapor<br>Product<br>Enforcement<br>Account -<br>Revenue Gain | 400,000             | 530,000             |
| Consumer Protection, Dept.     | GF Electronic<br>Nicotine Delivery<br>System and Vapor<br>Product<br>Enforcement<br>Account - Cost            | 547,802             | 575,714             |
| Resources of the General Fund  | GF - Revenue<br>Gain  | At least<br>226,500 | At least<br>302,000 |

Note: GF=General Fund; Various=Various

***Municipal Impact:*** None

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Reviewer: MM

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***Explanation***

The bill, which increases the legal tobacco product purchasing age to 21 and increases various associated fees and penalties, results in the following impacts:

***Department of Revenue Services Impact***

The bill requires the Department of Revenue Services (DRS) to annually inspect and conduct compliance checks on all 4,300 cigarette and tobacco products dealers in the state, which results in a cost of \$582,952 in FY 20 and \$599,390 in FY 21. To meet the requirements of the bill the DRS will need to hire four new employees (three Special Investigators and one Tax Hearing Officer), as well as incur associated vehicles and travel costs.

The bill increases, from \$50 to \$250, the annual license fee for cigarette and tobacco products dealers and requires \$160 of the fee to be deposited in a new account, called the Tobacco Control Enforcement Account. This results in a revenue gain of approximately \$688,000 on an annualized basis to the new account which is anticipated to offset most of costs incurred by DRS to implement the requirements of this bill. The bill does not specify how costs incurred by the DRS will be paid if there are not sufficient resources to meet the new requirements established by the bill.

Furthermore, the increased fee results in a revenue gain to the General Fund of at least \$172,000 per year on an annualized basis. The bill also increases the fines and civil penalties that DRS may levy which could increase this amount.

The bill also results in a General Fund revenue loss of \$4.3 million in FY 20 (partial year) and \$5.5 million in FY 21 from cigarette and tobacco products taxes, as well as a revenue loss to various funds<sup>1</sup> of

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<sup>1</sup> Current law requires a diversion of a portion of the sales tax generated into (1) the Special Transportation Fund and (2) the Municipal Revenue Sharing Account beginning in FY 22. The general sales and use tax rate, from which the diversion occurs, remains at 6.35%.

\$600,000 in FY 20 (partial year) and \$800,000 in FY 21 from sales taxes due to the anticipated smoking cessation of individuals aged 18 to 20.

### *Department of Consumer Protection Impact*

The bill requires the Department of Consumer Protection (DCP) to annually inspect and conduct compliance checks on all e-cigarette dealers in the state and results in a cost of \$547,802 in FY 20 and \$575,714 in FY 21. To meet the requirements of the bill the DCP will need to hire 4 new employees (3 inspectors and one attorney).

The bill increases, from \$400 to \$1,000, the annual registration fee for e-cigarette dealers and requires \$480 of the fee to be deposited into a new account, called the Electronic Nicotine Delivery System and Vapor Product Enforcement Account. This results in a revenue gain of approximately \$530,000 on an annualized basis to the new account which is anticipated to offset most of costs incurred by the DCP to implement the requirements of this bill. The bill does not specify how costs incurred by the DCP will be paid if there are not sufficient resources to meet the new requirements established by the bill.

Furthermore, the increased fee results in a revenue gain to the General Fund of at least \$130,000 per year on an annualized basis. The bill also increases the fines and civil penalties that DCP may levy which could increase this amount.

### *Fines Impact*

There is a potential revenue gain by raising the maximum fines that may be imposed on someone who sells, gives, or delivers tobacco products or e-cigarettes to someone under the legal age. In FY 18, 124 violators were fined a total of \$13,460 for related offenses.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, growth in the tobacco product and e-cigarette market, number of permits, and number of

violations.

Sources: *American Journal of Public Health "Retail Impact of Raising Tobacco Sales Age to 21 Years"*  
*Henry J. Kaiser Family Foundation "Percent of Adults Who Smoke"*  
*Judicial Department Offenses and Revenue Database*  
*United States Census Bureau Quick Facts*