

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: SB 24
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB24CS(FIN)-DOR-TAX-5-1-26
Title: TOBACCO/NICOTINE/E-CIG AGE; E-CIG TAX
Sponsor: STEVENS
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates					
			FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
OPERATING EXPENDITURES								
Personal Services			224.6	224.6	224.6	224.6	224.6	224.6
Travel			12.0	12.0	12.0	12.0	12.0	12.0
Services			27.8	27.8	27.8	27.8	27.8	27.8
Commodities			8.0					4.0
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	272.4	264.4	264.4	264.4	264.4	268.4

Fund Source (Operating Only)

1004 Gen Fund (UGF)			192.4	184.4	184.4	184.4	188.4
1005 GF/Prgm (DGF)			80.0	80.0	80.0	80.0	80.0
Total	0.0	0.0	272.4	264.4	264.4	264.4	268.4

Positions

Full-time			2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Change in Revenues

None			***	***	***	***	***
Total	0.0	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) cost: 250.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/27

Why this fiscal note differs from previous version/comments:

Fiscal note has been revised to reflect updated revenue estimates and updated personnel costs.

Fiscal note assumes that the effective date will be amended during the legislative process, delaying implementation by one year.

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Division: <u>Tax Division</u>	Date: 05/01/2026 01:00 PM
Approved By: <u>Janelle Earls, Acting Commissioner</u>	Date: 05/01/26
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2026 LEGISLATIVE SESSION

BILL NO. CSSB 24(FIN)

Analysis

Background Tax Division

This bill would levy a new tax on closed electronic smoking products and vapor products at a rate of 25 percent of the sale price. Currently, electronic smoking products (ESPs) are not subject to tax at the state level. This bill would not tax the vaping device or its component parts unless they are part of a “closed” system (i.e., a single-use product). Marijuana and hemp vapor products that do not contain nicotine would also not be taxed under this bill.

The bill would create a new ESP license with an annual application fee of \$50. This bill also raises Alaska's legal age for nicotine consumption from 19 to 21, to conform with federal law.

The tax changes in the bill would take effect January 1, 2028. This is a new tax type (i.e., a retail tax) that would require the Department of Revenue (Department) to update its tax system for filing returns and applying for licenses. The effective date provides adequate time for the Department to implement the changes.

NOTE: This fiscal note assumes the effective date will be amended during the legislative process to January 1, 2028, delaying implementation by one year.

Revenue Impact

No revenue impact is expected from the age change, as sellers have already adjusted selling practices to reflect federal law.

The revenue impact of taxing ESPs at 25 percent of the retail sales price is uncertain as the Department does not have Alaska specific e-cigarette sales data. While the fiscal note is indeterminate, we provide here three cases to give a range of possible outcomes. Note that the FY2028 impact is halved due to mid-year implementation.

Low Case Scenario: Washington State Data Extrapolated to Alaska

CHANGE IN REVENUES		FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
1168	Tob ED/CES (DGF)	0.0	1,280.0	2,630.0	2,700.0	2,770.0	2,840.0
1005	GF/Prgm (DGF)	0.0	80.0	80.0	80.0	80.0	80.0
TOTAL CHANGE IN REVENUES		0.0	1,360.0	2,710.0	2,780.0	2,850.0	2,920.0

Mid Case Scenario: National Data Extrapolated to Alaska

CHANGE IN REVENUES		FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
1168	Tob ED/CES (DGF)	0.0	1,690.0	3,460.0	3,530.0	3,620.0	3,710.0
1005	GF/Prgm (DGF)	0.0	80.0	80.0	80.0	80.0	80.0
TOTAL CHANGE IN REVENUES		0.0	1,770.0	3,540.0	3,610.0	3,700.0	3,790.0

High Case Scenario: Mat-Su Borough Data Extrapolated to Alaska

CHANGE IN REVENUES		FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
1168	Tob ED/CES (DGF)	0.0	2,990	6,070	6,160	6,240	6,320
1005	GF/Prgm (DGF)	0.0	80.0	80.0	80.0	80.0	80.0
TOTAL CHANGE IN REVENUES		0.0	3,070.0	6,150.0	6,240.0	6,320.0	6,400.0

The bill designates the purpose of tax revenue collected for health care, health programs, education, programs, and advertising relating to the hazards of ESPs. The Department estimates that license fees would generate an additional \$80 thousand in general fund program receipt revenue.

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Analysis

Implementation Cost

The change to a retail sales tax on January 1, 2028, would require significant changes to TRMS, ROL, and tax forms and would come at a cost. This bill would create a new sales tax at the retail level. A new tax type requires significant programming and testing and would require developing a completely new module in TRMS. The Department will need to engage FAST Enterprises, our TRMS contractor, to develop a retail ESP module, including a license function, into TRMS and integrate the module with our existing imaging, accounting, and collections modules. The \$250 thousand in capital costs is an estimate for the needed contract with FAST Enterprises to develop the new tax module.

In addition, two new positions are required, a Tax Auditor 2 and a Tax Technician 2, to run the licensing, return processing, auditing, and customer service functions of the program since the bill would create a new taxpayer base. The staff would have an enforcement function requiring travel. Services costs include department and statewide core service rates. Commodity costs include a one-time equipment for the two new positions.