

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version:	CSSB 24(L&C)
Fiscal Note Number:	5
(S) Publish Date:	3/14/2025

Identifier: SB024-DOR-TAX-2-21-25
 Title: TOBACCO/NICOTINE/E-CIG AGE; E-CIG TAX
 Sponsor: STEVENS
 Requester: (S) Labor & Commerce

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)

	FY2026	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2026 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
OPERATING EXPENDITURES	FY 2026	FY 2026					
Personal Services			195.8	195.8	195.8	195.8	195.8
Travel			5.0	5.0	5.0	5.0	5.0
Services			10.1	10.1	10.1	10.1	10.1
Commodities			24.2	0.2	0.2	0.2	0.2
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	235.1	211.1	211.1	211.1	211.1

Fund Source (Operating Only)

1004 Gen Fund (UGF)			164.7	140.7	140.7	140.7	140.7
1005 GF/Prgm (DGF)			70.4	70.4	70.4	70.4	70.4
Total	0.0	0.0	235.1	211.1	211.1	211.1	211.1

Positions

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

Change in Revenues

1005 GF/Prgm (DGF)			70.4	70.4	70.4	70.4	70.4
1168 Tob ED/CES (DGF)			1,850.8	3,813.2	3,928.0	4,046.3	4,168.2
Total	0.0	0.0	1,921.2	3,883.6	3,998.4	4,116.7	4,238.6

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) cost: 250.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? Yes
(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 If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/2026

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division:	Tax Division	Date:	02/21/2025 01:00 PM
Approved By:	Janelle Earls, Administrative Services Director	Date:	02/21/2025
Agency:	Administrative Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2025 LEGISLATIVE SESSION

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, 2027. 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.

Revenue Impact

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

The Department estimates that taxing ESPs at 25 percent of the retail sale price would generate an additional \$3.81 million in revenue in FY2028--the first full year of tax revenue, growing slightly in future years due to market and population growth (this estimate assumes no inflation for fiscal note purposes). 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 \$70.4 general fund program receipt revenue.

Implementation Cost

This bill creates a new tax on ESPs at the retail level. This fiscal note reflects the costs to stand up a new tax which would require developing a new module in our Tax Revenue Management System (TRMS). 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 cubicle buildout for the two new positions and required equipment. Out years are reduced to annual office supply costs.

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 \$250.0 in capital costs is an estimate for the needed contract with FAST Enterprises to develop the new tax module. The cost estimate is based on the bill's effective date to implement the new tax. This version of the bill gives adequate time to implement the new tax.