

# Fiscal Note

State of Alaska  
2025 Legislative Session

Bill Version:	CSSB 24(FIN)
Fiscal Note Number:	9
(S) Publish Date:	5/9/2025

Identifier: SB024CS(L&C)-DOR-TAX-4-1-25  
 Title: TOBACCO/NICOTINE/E-CIG AGE; E-CIG TAX  
 Sponsor: STEVENS  
 Requester: (S)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)

	FY2026 Appropriation Requested	Included in Governor's FY2026 Request	Out-Year Cost Estimates					
			FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>OPERATING EXPENDITURES</b>								
Personal Services			195.8	195.8	195.8	195.8	195.8	195.8
Travel			5.0	5.0	5.0	5.0	5.0	5.0
Services			10.1	10.1	10.1	10.1	10.1	10.1
Commodities			4.2	0.2	0.2	0.2	0.2	0.2
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>215.1</b>	<b>211.1</b>	<b>211.1</b>	<b>211.1</b>	<b>211.1</b>	<b>211.1</b>

**Fund Source (Operating Only)**

1004 Gen Fund (UGF)			135.1	131.1	131.1	131.1	131.1	131.1
1005 GF/Prgm (DGF)			80.0	80.0	80.0	80.0	80.0	80.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>215.1</b>	<b>211.1</b>	<b>211.1</b>	<b>211.1</b>	<b>211.1</b>	<b>211.1</b>

**Positions**

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

**Change in Revenues**

1005 GF/Prgm (DGF)			***	***	***	***	***	***
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

**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 If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/26

**Why this fiscal note differs from previous version/comments:**

This version's change in revenue has been updated to indeterminate and an update to the analysis that provides midrange, high and low cases for a range of possible revenue outcomes. This fiscal note also incorporates updates from Spring Revenue Forecast which reduced demand for cigarettes and other tobacco products compared to the Fall Revenue Forecast.

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Approved By:	Janelle Earls, Administrative Services Director	Date:	04/04/25
Agency:	Department of Revenue		

REPORTED OUT OF  
SFC 05/07/2025

FISCAL NOTE ANALYSIS

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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 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, provided below three cases to give a range of possible outcomes.

**For Fiscal Note - Midrange Case**

CHANGE IN REVENUES		FY2026	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
1168	Tob ED/CES (DGF)			1,500.0	3,200.0	3,200.0	3,300.0	3,400.0
1005	GF/Prgm (DGF)			80.0	80.0	80.0	80.0	80.0
<b>TOTAL CHANGE IN REVENUES</b>		<b>0.0</b>	<b>0.0</b>	<b>1,580.0</b>	<b>3,280.0</b>	<b>3,280.0</b>	<b>3,380.0</b>	<b>3,480.0</b>

**High Case (Mat-Su Borough)**

CHANGE IN REVENUES		FY2026	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
1168	Tob ED/CES (DGF)			2,600.0	5,200.0	5,300.0	5,400.0	5,400.0
1005	GF/Prgm (DGF)			80.0	80.0	80.0	80.0	80.0
<b>TOTAL CHANGE IN REVENUES</b>		<b>0.0</b>	<b>0.0</b>	<b>2,680.0</b>	<b>5,280.0</b>	<b>5,380.0</b>	<b>5,480.0</b>	<b>5,480.0</b>

**Low Case (New York State)**

CHANGE IN REVENUES		FY2026	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
1168	Tob ED/CES (DGF)			600.0	1,200.0	1,300.0	1,300.0	1,300.0
1005	GF/Prgm (DGF)			80.0	80.0	80.0	80.0	80.0
<b>TOTAL CHANGE IN REVENUES</b>		<b>0.0</b>	<b>0.0</b>	<b>680.0</b>	<b>1,280.0</b>	<b>1,380.0</b>	<b>1,380.0</b>	<b>1,380.0</b>

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 \$80.0 in general fund program receipt revenue.

FISCAL NOTE ANALYSIS

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**Analysis**

**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 computer purchases 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.