

Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

FISCAL NOTE

Date: Updated April 11, 2019

Prepared by: Graham Campbell, Nolan Langweil

S.86 An act relating to increasing the legal age for buying and using cigarettes, electronic cigarettes, and other tobacco products from 18 to 21 years of age

As amended by the House Committee on Human Services

<https://legislature.vermont.gov/bill/status/2020/S.86>

Summary

This bill proposes to increase the legal age for buying and using tobacco products from 18 to 21 years of age.

Fiscal Impact

Revenues from the existing cigarette and other tobacco taxes are used to draw federal matching dollars which pay for the State's Medicaid program. The Joint Fiscal Office, in consultation with the Legislative Economist, estimates that the bill as passed the Senate would reduce State revenues by \$450,000 with an augmented gross impact of \$975,500 in Fiscal Year (FY20) 2020 annualized. **The bill as passed by the House Committee on Human Services proposes delaying the start until 9/1/19 which would reduce state revenues by \$370,000 with an augmented gross impact of \$802,000 in FY20.** This gross revenue impact results from the combination of direct reductions in tobacco tax revenues and the loss of Federal matching dollars.

Revenue losses will diminish slightly in future years as tobacco usage in general declines across all age cohorts. This revenue loss is across all tobacco tax types, including the cigarette tax (\$3.08 per pack), the smokeless tobacco tax (\$2.57 per ounce), and the wholesale tobacco products tax (92% of wholesale price). This reduction in revenues would impact the General Fund¹.

The Human Services committee proposed moving the effective date to 9/1/19. According to our economic forecast, 17.9% of the annual tobacco taxes are collected in July and August. As such, we've revised our estimated revenue reduction from \$450,000 (annualized) to \$370,000 which draws approximately \$432,000 in additional federal dollars for an estimated gross of \$802,000, of which would likely have to be reduced from the Medicaid budget.

¹ Assuming [H.97](#) (An act relating to fiscal year 2019 budget adjustments) of the 2019 Session is enacted into law. Otherwise, all revenues from this tax would be dedicated to the State Healthcare Resources Fund.

This revenue estimate makes assumptions for various compliance rates across age groups based on experiences in other states and peer-reviewed research. Those assumptions and sources are detailed in the attached memo prepared by the Legislative Economist. Revenue losses could be higher or lower depending on actual compliance.

These estimates do not include losses from e-cigarette taxation currently being contemplated by the H.47.² Should both S.89 and H.47 be enacted, an additional \$40,000 to 45,000 in revenue reduction is estimated from the electronic cigarettes estimates. To the extent these dollars would have been used in the same way as other tobacco taxes, losses in federal matching dollars would also apply.

The long-term public health benefits of reducing smoking rates are undeniable. While there are significant longer-term fiscal benefits that would derive from this, they are difficult to estimate. In the short-run, including FY20, such benefits would be minimal. Finally, this bill may have other fiscal implications to the State, such as those related to enforcement or judiciary procedures.

Appendix

These estimates relied on data from the following sources:

- The 2017 National Survey on Drug Use and Health, published by the Center for Behavioral Health Statistics and Quality as part of the Substance Abuse and Mental Health Services Association.
- Population estimates from the U.S. Census Bureau (2017 estimates)
- The following publications on tobacco usage:
 - “Public Health Implications of Raising the Minimum Age of Legal Access to Tobacco Products”, 2015, The National Academies Press.
 - “Price, Tobacco Control Policies and Youth Smoking” NBER Working Paper 5740, Chaloupka and Grossman, 1996.
 - “Sources of Tobacco for Youths in Communities With Strong Enforcement of Youth Access Laws,” Tobacco Control 2001;10, pages 323-328, DiFranza and Coleman, 2001
 - “Do Minimum Legal Tobacco Purchase Age Laws Work?”, Contemporary Economic Policy, pages 415-429, Yoruk and Yoruk, 2015.
 - “Electronic Cigarette Use Among Adults: United States, 2014,” NCHS Data Brief No. 217, Schoenborn and Gindi, October 2015
 - “The Effects of E-Cigarette Minimum Legal Sale Age Laws on Youth Substance Abuse”, Dave, Feng and Pesko. National Bureau of Economic Research. April 2017.

² [H.47](#): An act relating to the taxation of electronic cigarettes