



[SF 2268](#) – Tobacco and Vaping, Minimum Age (LSB5507SV)
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Fiscal Note Version – New

Description

[Senate File 2268](#) changes the legal age for purchasing and using any cigarette, tobacco, tobacco products, alternative nicotine products, and vapor products from 18 to 21 years of age.

Background

The federal Further Consolidated Appropriations Act for FFY 2020 (Public Law No. 116-[94](#)), passed in December 2019, changed the minimum age for smoking from 18 to 21 years of age under federal law. Therefore, this fiscal estimate could be treated as the estimated impact of the federal law on Iowa tax revenue, assuming that Iowa would enforce the federal law, and that retailers were complying with federal law by January 1, 2020.

Furthermore, this estimate addresses only the primary fiscal impact of this law associated with reducing smoking by individuals between the ages of 18 and 21. Secondary impacts such as lowering the likelihood of those smoking after turning 21, decreased sales to individuals through illegal purchases, or these consumers spending their money on something else that is subject to the sales and use tax are not included in the methodology or impacts.

Iowa cigarette and tobacco tax revenue is deposited in the Health Care Trust Fund (HCTF). Cigarettes, tobacco, tobacco products, alternative nicotine products, and vapor products are subject to the sales tax, which is deposited in the General Fund and the Secure an Advanced Vision for Education (SAVE) Fund, and distributed to local governments via the Local Option Sales Tax (LOST).

Assumptions

Cigarette and Tobacco Taxes

- Consumption by Iowa adults from the age of 18 through 20 is estimated to be 4.9% of all cigarettes purchased. It is further assumed that all other tobacco and tobacco products are consumed at this same rate for this age cohort.
- The five-year forecast of cigarette and tobacco receipts revenue completed by the Department of Revenue in December 2019 is used as the baseline of cigarette and tobacco sales.

Cigarettes and Tobacco Products — Sales Tax Impact

- The cigarette and tobacco tax on a pack of cigarettes is \$1.36. Based on the estimated impact on cigarette and tobacco taxes, the estimated number of cigarette packs sold will decrease by 3.3 million in FY 2020 and 6.6 million in FY 2021 and each year thereafter.
- The average price of a cigarette pack is \$5.83, which is estimated to grow with the rate of inflation.

Alternative Nicotine Products and Vapor Products — Sales Tax Impact

- National sales on vaping products in 2018 totaled \$3.6 billion.
- Since [Iowa's Population](#) is approximately 1.0% of the national population, it is assumed that portion of sales was to Iowa consumers.
- Consumption by Iowa adults from the age of 18 through 20 is estimated to be 7.5% of all vaping products purchased.
- Annual growth rate of vaping product sales will be 8.3%.

Enforcement Assumptions

- The Alcoholic Beverages Division (ABD) will need to update current online retailer training materials.

Fiscal Impact

The fiscal impact across funds is presented in the following table.

Estimated Revenue Change				
In Millions				
Fiscal Year	HCTF	General Fund	SAVE Fund	LOST
2020	\$ -5.0	\$ -1.2	\$ -0.2	\$ -0.2
2021	-10.0	-2.4	-0.5	-0.5
2022	-10.0	-2.5	-0.5	-0.5
2023	-9.9	-2.5	-0.5	-0.5
2024	-9.8	-2.5	-0.5	-0.5

A decrease in revenue to the HCTF will decrease total funds available for the Medicaid Program. This would then require an increase in the General Fund appropriation to Medicaid by that same amount to meet the [Medicaid Forecasting Group](#) estimate.

The costs for the ABD to update online retailer training will range from \$19,000 to \$50,000. Other associated costs with personnel time and other application changes are estimated to be minimal.

Sources

Department of Revenue
Department of Commerce, Alcoholic Beverages Division
LSA Analysis and Calculations

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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