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

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**Description**

[Senate File 2268](#) changes the legal age for purchasing and using any cigarettes, 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**

**Correctional Impact**

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay; revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A lag effect of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.

**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 of vapor products in 2018 totaled \$3.600 billion.
- Since [Iowa's population](#) is approximately 1.0% of the national population, it is assumed that a proportionate amount 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 vapor products purchased.
- The annual growth rate of vapor product sales will be 8.3%.

### Enforcement Assumptions

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

### Correctional Impact

The correctional impact of SF 2268 cannot be determined. The Bill revises a current offense by expanding the age prohibition on legally purchasing cigarettes, tobacco, tobacco products, alternative nicotine products, and vapor products, and the number of new convictions cannot be determined.

The Criminal and Juvenile Justice Planning (CJJP) Division of the Department of Human Rights reported that in FY 2019, there were:

- 1,949 convictions for a minor using or possessing cigarettes, tobacco, tobacco products, alternative nicotine products, or vapor products.
- 250 convictions for an employee of a retailer selling cigarettes, tobacco, tobacco products, alternative nicotine products, or vapor products to an underage person.
- 47 convictions for a person providing a minor cigarettes, tobacco, tobacco products, alternative nicotine products, or vapor products.

However, it should be noted that cigarette, tobacco, tobacco product, alternative nicotine product, and vapor product sales prohibitions can be enforced at a local level through county and municipal ordinances. The CJJP reports the following convictions related to these local convictions:

- 82 convictions for a minor using or possessing cigarettes, tobacco, tobacco products, alternative nicotine products, or vapor products.
- 18 convictions for an employee of a retailer selling cigarettes, tobacco, tobacco products, alternative nicotine products, or vapor products to an underage person.

The last convictions of misuse of a driver's license or nonoperator's identification card to acquire cigarettes, tobacco, tobacco products, alternative nicotine products, or vapor products were in FY 2017 (three convictions).

Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 16, 2020, for information related to the correctional system.

**Minority Impact**

The minority impact of SF 2268 is unknown. For the 2,246 convictions outlined above, 84.5% were Caucasian, 9.9% were African-American, 2.3% were Hispanic, and 3.3% were other. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 15, 2020, for information related to minorities in the criminal justice system.

**Fiscal Impact**

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

<b>Estimated Revenue Change</b>				
In Millions				
<b>Fiscal Year</b>	<b>HCTF</b>	<b>General Fund</b>	<b>SAVE Fund</b>	<b>LOST</b>
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 costs associated with personnel time and other computer application changes are estimated to be minimal.

**Sources**

- Department of Revenue
- Department of Commerce, Alcoholic Beverages Division
- Department of Human Rights, Criminal and Juvenile Justice Planning 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.