

Fiscal Estimate Narratives

DOR 2/6/2020

LRB Number	19-5403/1	Introduction Number	SB-757	Estimate Type	Original
Description licenses for the retail sale of vapor products and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires a person who sells vapor products to obtain a cigarette and tobacco products retailer license. Current law defines a "vapor product" as a noncombustible product that produces vapor or aerosol for inhalation from the application of a heating element, regardless of whether the liquid or other substance contains nicotine.

Specifically, the bill requires a retailer who sells or offers for sale vapor products to obtain an annual license from the clerk of the city, village, or town where the retailer is located. The bill also authorizes two positions at the Department of Revenue for administering and enforcing the taxes imposed on the sale of vapor products.

The vapor products license is intended to enhance compliance and reduce tax evasion. It grants enforcement powers to the licensing authority. The terms and conditions of the license provides recordkeeping requirements, inspections, and forfeiture should the provisions of the license be violated.

Since there is no information as to how many vapor product licenses will be issued by the city, village or town clerks where the vapor product retailers are located, the fiscal effect is an indeterminate local revenue increase. The magnitude of the estimate will depend on the number of licenses issued.

Ongoing administrative expenses for the 2 FTE positions at the department are \$ 206,640 and \$243,250 for FY19 -20 and FY 20 - 21 respectively for the purpose of administering and enforcing the taxes imposed on the sale of vapor products.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description licenses for the retail sale of vapor products and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
The department can absorb the required onetime costs.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$243,250	\$
	(FTE Position Changes)	(2.0 FTE)	
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$243,250	\$
B. State Costs by Source of Funds			
	GPR	243,250	
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$243,250	\$
NET CHANGE IN REVENUE		\$see text	\$see text
Agency/Prepared By		Authorized Signature	
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		Date	
		2/6/2020	