

February 14, 2017

CORRECTED

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Corrected Fiscal Note for SB 54 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 54 is respectfully submitted to your committee.

Under current law, the tax rate of \$0.20 per milliliter of consumable material for electronic cigarettes went into effect on January 1, 2017. SB 54 would define consumable material to mean only the amount of nicotine that is contained within the liquid that is vaporized when using an electronic cigarette. The bill also puts the statute dealing with the tax on electronic cigarettes in the Kansas Cigarette and Tobacco Products Act.

Estimated State Fiscal Effect				
	FY 2017 SGF	FY 2017 All Funds	FY 2018 SGF	FY 2018 All Funds
Revenue	(\$640,000)	(\$640,000)	(\$1,280,000)	(\$1,280,000)
Expenditure	\$1,760	\$1,760	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 54 would decrease State General Fund revenues by approximately \$640,000 in FY 2017 and by approximately \$1,280,000 in FY 2018. Under current law, the Department of Revenue indicates that the tax on electronic cigarettes is estimated to generate \$1.0 million in FY 2017 and \$2.0 million for FY 2018. Under the consumable material definition proposed in the bill, the State General Fund would receive approximately \$360,000 in FY 2017 and approximately \$720,000 in FY 2018 from this new tax.

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The Department indicates the bill would require \$1,760 from the State General Fund in FY 2018 to notify taxpayers and to update instructions. In the original fiscal note issued, the Department of Revenue provided an incorrect calculation of the fiscal effect. Any fiscal effect associated with SB 54 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue