



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 669** HLS 25RS 1363  
Bill Text Version: **ENGROSSED**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> May 7, 2025	11:35 AM	<b>Author:</b> RISER
<b>Dept./Agy.:</b> Revenue/ATC		
<b>Subject:</b> Provides for a discount on cigarette tax		<b>Analyst:</b> Deborah Vivien

TAX/EXCISE EG DECREASE GF RV See Note Page 1 of 1  
Continues a portion of the excise tax levied on cigarettes in statute and authorizes a reduced excise tax rate on certain tobacco products  
Current law imposes a cigarette excise tax of \$1.08 per pack in 7 different levies, 6 of which (\$1.04) are statutory and 1 of which (4 cents) is constitutional. Current law dedicates about 15% of the proceeds to various uses, primarily health related.

Proposed law retains current law regarding dedications and maintains the excise tax of \$1.08 per pack, but places the constitutional levy of 4 cents per pack into statute. Proposed law authorizes a 60% discount in state excise tax for any tobacco product that is ever issued a risk modification order [g(1)] by the FDA and a 40% discount in state excise tax for any tobacco product that is ever issued an exposure modification order [g(2)] by the FDA. Proposed law adds heating as a means of ingestion to the definition of a cigarette, subjecting certain heated products (but not vapor products) to taxation as a cigarette.  
Effective July 1, 2025

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>


REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**  
LDR may incur costs of \$25,200 for programming, testing and system development costs, including form revisions. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive. ATC enforces the application of the tax and will include the 75% discount on certain products. The discount if applied to cigarettes will reduce ATC funding for operations, LDH for health-related efforts and if applied to vape products, LA State Police for salaries (see revenue explanation).

**REVENUE EXPLANATION**  
The bill does not change the cigarette excise tax, only moves the entire rate structure into statute. However, the bill offers a 60% discount to the excise tax on all products, including cigarettes, cigars, smokeless tobacco, vape products or other tobacco products, that are or will ever be approved by FDA as modified risk products, which, according to FDA, are “tobacco products that are sold or distributed for use to reduce harm or the risk of tobacco-related disease associated with commercially marketed tobacco products.” It appears that certain smokeless tobacco products and heatstick cigarettes are currently approved with no data readily available related to pending applications. The bill also offers a 40% discount to tobacco products issued an exposure modification order (possibly a reduced exposure order), that apparently indicates a product may lessen exposure to harmful chemicals. Per testimony in committee, these products are not currently sold in the state and not subject to taxation. However, this bill clarifies that heatsticks are defined as cigarettes and subject to the same taxation as cigarettes. This bill will reduce the excise tax on FDA ordered products beginning July 1, 2025, and the discounts will apply to any tobacco products receiving subsequent approval.

Without specific sales of the products that are approved and eligible for a discount, an estimate of the impact is not possible. It does appear that this discount is available to any tobacco product that receives approval, so should technology advance to the point that a larger percentage of tobacco products qualify, tobacco tax revenue could decline substantially and possibly very quickly. The fiscal note assumes that at least one tobacco product will qualify for the discount beginning in FY 26.

The discount will impact the SGF and potentially any dedicated funds from the tobacco tax derived from any tobacco product receiving the appropriate FDA orders. Tobacco tax collections totaled \$235 M in FY 24, with \$177 M from cigarettes. About 85% of the cigarette tax, or \$150 M, flows to the SGF. Of cigarette tax collections, 0.25 cents (about \$0.4 M in FY 24) is dedicated to the Tobacco Enforcement Fund for ATC operations, 4 cents (\$6.6 M) is dedicated to the Health Excellence Fund for health related uses, 5 cents (\$8.1 M) is dedicated to LDH, LSU/Southern Ag Centers, DARE Program and LA State Police, and 7 cents (\$11.4 M) is dedicated to LSUHSC and smoking cessation programs. All vape tax collections are currently deposited to the LA State Police Salary Fund for state police salaries.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Alan M. Boxberger</b> <b>Legislative Fiscal Officer</b>