



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 398** HLS 25RS 877

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **REVISED**

Date: April 21, 2025	4:27 PM	Author: BRASS
Dept./Agy.: Revenue & Treasury		
Subject: Smokless Tobacco Tax and Dedications Pertaining To		Analyst: Deborah Vivien

TAX/TOBACCO TAX OR +\$8,900,000 GF RV See Note Page 1 of 1
Increases the tax levied on smokeless tobacco and dedicates a portion of avails of the tax into the Youth Cessation and Prevention Fund
Current law levies an excise tax on smokeless tobacco of 20% of invoice price that flows to the SGF.
Proposed law increases the excise tax on smokeless tobacco from 20% to 33% of invoice price and dedicates 20% of the proceeds of the entire tax to the Youth Cessation and Prevention Fund (created in the bill). Proposed law requires an annual appropriation with specified shares allocated to various entities and agencies. Funds are to be spent under evidence-based practices for related tobacco prevention and cessation activities. Proposed law stipulates that the proceeds of the tax cannot supplant current SGF funding.

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	\$0
Agy. Self-Gen.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$9,800,000	\$9,800,000	\$9,800,000	\$9,800,000	\$9,800,000	\$49,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		\$9,800,000	\$9,800,000	\$9,800,000	\$9,800,000	\$39,200,000
REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$8,900,000	\$8,900,000	\$8,900,000	\$8,900,000	\$8,900,000	\$44,500,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$9,800,000	\$9,800,000	\$9,800,000	\$9,800,000	\$9,800,000	\$49,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$18,700,000	\$18,700,000	\$18,700,000	\$18,700,000	\$18,700,000	\$93,500,000

EXPENDITURE EXPLANATION

LDR anticipates incurring costs of roughly \$52,750 in IT system design, development and testing. 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.

Treasury requires certain resources to create and administer a statutory dedication, as in this bill. Should aggregate session action result in the creation of funds beyond that which can be absorbed within existing resources, additional funding may be required, which is assumed to be SGR in this fiscal note.

The bill mandates an annual appropriation out of the fund to be allocated in the following manner: 40% to LA Cancer Research Center, 40% to LDH, OPH, and the Bureau of Chronic Disease Prevention and Healthcare Access for the Well-Ahead LA Program, 10% to the Cancer Center at LSUHSC in Shreveport and 10% to Mary Bird Perkins Cancer Center in Gonzales. The estimated dollar totals allocated to each are delineated in the Revenue Section below.

REVENUE EXPLANATION

The bill is expected to increase smokeless tobacco excise tax proceeds by \$18.6 M to \$48.8 M from raising the excise tax by 20% to 33% of the invoice price, or a 65% increase. In the bill, 80% of the entire excise tax collections, or \$39.1 M, would remain in the SGF, which is about \$8.9 M more than currently flows to SGF. The remainder of the proceeds, or about \$9.8 M, will be deposited into the newly created Youth Cessation and Prevention Fund and allocated to various entities as follows:

40%	LA Cancer Research Center	\$3.9 M
40%	Office of Public Health	\$3.9 M
10%	LSUHSC - Shreveport	\$1.0 M
10%	Mary Bird Perkins - Gonzales	\$1.0 M
		\$9.8 M

The estimate assumes smokeless tobacco consumption and pre-tax retail prices remain similar to FY 24 with an assumed 5% reduction in consumption due to the price increase in the bill.

The fiscal note does not accommodate any bunching behavior in which dealers may stockpile in advance of the tax increase, which could delay any estimated revenue increases.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" 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}

Alan M. Boxberger
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Legislative Fiscal Officer