
Finance Committee

HB 2915

Brief Description: Increasing the relevant taxes to fully fund the foundational public health services account.

Sponsors: Representatives Pollet, Robinson, Tarleton, Cody, Fey, Valdez, Doglio, Slatter, Davis, Frame, Gregerson, Riccelli, Macri, Orwall, Callan, Fitzgibbon, J. Johnson, Stonier and Ryu.

Brief Summary of Bill

- Eliminates the variable cents per milliliter of liquid solution vapor products tax.
- Establishes an excise tax on vapor products of 45 percent of the sales price.
- Imposes a business and occupation surcharge of 4.4 percent on manufacturers and distributors of vapor products and tobacco products.

Hearing Date: 2/20/20

Staff: Rachelle Harris (786-7137).

Background:

Vapor Products Tax.

The sale, use, consumption, handling, possession, or distribution of vapor products is subject to taxation as follows:

- 9 cents per milliliter of liquid or solution for accessible containers of liquid solution that are larger than 5 milliliters; or
- 27 cents per milliliter of liquid solution for all other vapor products.

Vapor products are defined as noncombustible products containing a solution or other consumable substance, regardless of whether it contains nicotine, which employs a mechanical heating element, battery, or electronic circuit that can be used to produce vapor from the solution or other substance. For purposes of taxation, vapor products do not include tobacco cessation products, component ingredients in vapor products, or marijuana or tobacco products. All vapor products are subject to the tax, even if they do not contain nicotine. An accessible container is

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one that is intended to be opened. It does not mean a closed cartridge or a closed container that is not intended to be opened (such as a disposable electronic-cigarette).

Foundational Public Health Services Account.

The Foundational Public Health Services Account (FPHSA) is an account in the State Treasury. Half of the funds generated by the vapor products tax is deposited into the account. The account may be used to fund foundational health services, tobacco, vapor product, and nicotine control and prevention, to support increased access and training of public health professionals at public health programs, and for enforcement by the Liquor and Cannabis Board.

Andy Hill Cancer Research Endowment Fund Match Transfer Account.

Half of the funds generated by the vapor products tax are deposited into the Andy Hill Cancer Research Endowment Fund Match Transfer Account (Andy Hill Account). If amounts deposited into the account from the vapor product tax exceeds a cap of \$10 million in the account, excess funds must be deposited into the FPHSA.

Summary of Bill:

The variable cents per milliliters tax on vapor products is eliminated. Instead, there is levied an excise tax upon the sale, use, consumption, handling, possession, or distribution of vapor products at a rate of 45 percent of the sales price. All revenues from the tax are to be deposited into the FPHSA, rather than split between the Andy Hill Account and FPHSA.

A business and occupation (B&O) surcharge of 4.4 percent is imposed on manufacturers and distributors of both vapor products and tobacco products beginning July 1, 2020. All revenues collected from the B&O surcharge must be deposited into the FPHSA.

Any tax revenues collected on heated tobacco or other tobacco products that are initially approved for sale by the United States Department of Agriculture after April 1, 2019 must be deposited into the FPHSA. Half of the funds in the FPHSA, with a limit of \$5 million per fiscal year, must be transferred to the Andy Hill Account. Minimum distributions for purposes of nicotine cessation, prevention, education, and training must be funded first.

Appropriation: None.

Fiscal Note: Requested on January 30, 2020.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.