*SESSION OF 2017*

# SUPPLEMENTAL NOTE ON SENATE BILL NO. 130

As Amended by Senate Committee on Assessment and Taxation

## Brief*

SB 130, as amended, would decelerate the effective date and reduce the rate of the tax on electronic cigarettes. Under current law, a tax at the rate of $0.20 per milliliter of consumable material in electronic cigarettes was imposed as of January 1, 2017. The bill would delay the effective date of the tax to July 1, 2017, and would reduce the rate to $0.05 per milliliter.

Additional language in the bill specifically would define "consumable material" to mean any liquid solution or other material that is depleted as an electronic cigarette is used.

## Background

The bill was introduced at the request of the Kansas Department of Revenue (KDOR), whose representative stated during the public hearing that a definition of consumable material was necessary to provide clarity for that agency and the industry.

On March 6, the Senate Committee on Assessment and Taxation amended the proposed definition of "consumable material" based on agreement with KDOR and the industry, and included the additional aforementioned provisions delaying the effective date of the tax and reducing the tax rate.

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

In response to a question in the Senate Committee hearing on March 6, a KDOR spokesperson stated if the bill were to pass, any receipts since January 1 would either be refunded or be made available as a credit against future liability. Later that afternoon, KDOR reported $0.029 million in electronic cigarette tax receipts had been submitted since January 1.

At the time of the November Consensus Revenue Estimating meeting, KDOR reiterated its expectation that the tax would produce an estimated $1.0 million in receipts in FY 2017, and $2.0 million in receipts in FY 2018 and subsequent fiscal years. Given these assumptions are implicit in the current estimates, the bill would be expected to reduce receipts by $1.0 million in FY 2017, $1.5 million in FY 2018, and $1.5 million in FY 2019.