

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	HB 2876
Version:	CS
Request Number:	7784
Author:	Rep. Wallace
Date:	2/26/2021
Impact:	Tax Commission

Excise Tax Revenue Increase:
FY-22: \$707,000
FY-23: \$1,697,000

Research Analysis

The committee substitute to HB 2876 creates the Vapor Products Tax Code and levies a tax of \$0.10 per milliliter on all e-liquid imported or manufactured, for sale, use or distribution, or used or possessed in Oklahoma. *E-liquid* is defined as a liquid that may contain nicotine, flavorings or other ingredients that are intended for use in a vapor product.

The measure directs payments of the tax to be made by the person shipping the product into Oklahoma, the person importing the product from foreign countries, or the first seller of products manufactured in Oklahoma. Tax returns and payment of excise tax must be electronically filed with the Tax Commission by the 15th day of the month immediately succeeding the month of shipment, importation or first sale.

The measure requires manufacturers, distributors and retailers to retain copies of all invoices for the purchase or sale of e-liquids for at least three years, and to make those documents available to the Commission upon request.

The measure also creates the Vapor Products Regulation Revolving Fund within the State Treasury for the Alcoholic Beverage Laws Enforcement (ABLE) Commission. For fiscal years ending on or prior to June 30, 2023, 50 percent of the revenue from the excise tax will go to the Revolving Fund and 50 percent will go to the General Revenue Fund. For fiscal years beginning on or after July 1, 2023, 25 percent will go to the Revolving Fund and 75 percent will go to the General Revenue Fund. The ABLE Commission is authorized to budget and expend money in the Revolving Fund for the purpose of regulating vapor products.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Revenue Impact

According to an article from the Tax Foundation entitled “How High are Vapor Taxes in Your State” (dated 6/3/2020), the state of North Carolina imposed a similar excise tax and collected an estimated \$4,500,000 in revenues. Adjusting for differences in population - Oklahoma has 37.714% of the population of North Carolina - results in an estimated \$1,697,130 in e-liquid excise tax. The measure proposes an effective date of January 1, 2022. An increase in e-liquid excise tax revenues of \$707,000 and \$1,697,130 is estimated for FY 22 and FY 23 respectively.

Administrative Impact

The Commission anticipates additional administrative costs attributable to required programing and other related items to implement the proposal.

Prepared By: Mark Tygret

Other Considerations

None.