



TO: Special Committee on Medicaid Expansion

FROM: Kathleen Smith and Amy Kramer, Kansas Department of Revenue

RE: Cigarette, Tobacco and Consumable Material Tax Collections

DATE: November 13, 2019

Kansas has three different excise taxes on tobacco or smoking products: cigarettes, other tobacco products, and consumable materials.

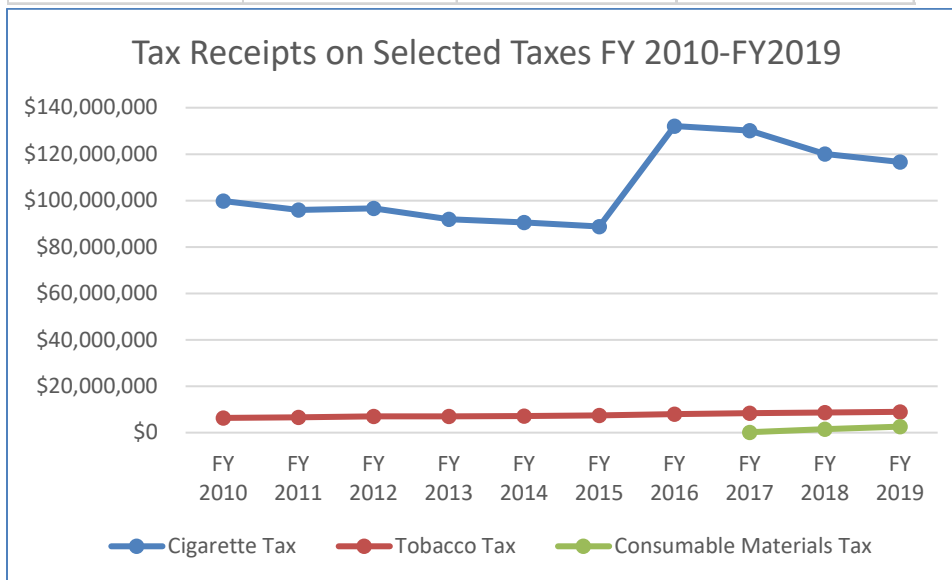
- The tax on cigarettes (K.S.A. 79-3310) was enacted in 1927 and was last increased in 2015. As of July 1, 2015, the tax on cigarettes is \$1.29 for a pack of 20 cigarettes and \$1.61 for a pack of 25 cigarettes.
- The tax on the privilege of selling tobacco products (K.S.A. 79-3371) was enacted in 1972 and is 10% of the wholesale price of the product. Tobacco products are defined in K.S.A. 79-3301(bb) to include a variety of smoking and chewing tobaccos, but does not include cigarettes.
- The tax on the privilege of selling electronic cigarettes (K.S.A. 79-3399) was enacted in 2015 with the tax of \$0.05 per milliliter of consumable material imposed on July 1, 2017. Consumable material is defined to mean any liquid solution or other material that is depleted as an electronic cigarette is used.

**Table 1**

Kansas Department of Revenue					
Cigarette and Tobacco Tax Rates					
Cigarettes		Tobacco		Consumable Material	
K.S.A. 79-3310		K.S.A. 79-3371		K.S.A. 79-3399	
Tax on per package of 20 cigarettes		Tax on wholesale price		Tax on milliliter of consumable material	
7/1/1927	\$ 0.02	7/1/1972	10%	7/1/2017	\$ 0.05
7/1/1947	\$ 0.03				
4/1/1957	\$ 0.04				
4/1/1964	\$ 0.06				
5/1/1965	\$ 0.08				
7/1/1970	\$ 0.11				
7/1/1983	\$ 0.16				
10/1/1985	\$ 0.24				
7/1/2002	\$ 0.70				
1/1/2003	\$ 0.79				
7/1/2015	\$ 1.29				

**Table 2**

Tax Receipts on selected taxes: FY 2010-FY 2019			
Year	Cigarette Tax	Tobacco Tax	Consumable Materials Tax
FY 2010	\$99,828,625	\$6,352,388	
FY 2011	\$95,922,881	\$6,572,849	
FY 2012	\$96,661,535	\$6,978,181	
FY 2013	\$91,928,001	\$7,056,779	
FY 2014	\$90,611,583	\$7,201,144	
FY 2015	\$88,820,830	\$7,481,708	
FY 2016	\$132,103,251	\$8,040,450	
FY 2017	\$130,078,734	\$8,424,853	\$194,093
FY 2018	\$120,072,657	\$8,675,930	\$1,497,969
FY 2019	\$116,693,299	\$8,968,280	\$2,592,795



The Kansas Department of Revenue was requested to provide estimated fiscal impacts increasing the tax on cigarettes and taxing consumable material comparable to cigarettes.

Table 3 provides estimated impacts on \$0.50, \$1.00 and \$1.50 increases in the cigarette tax.

**Table 3**

	(in millions)				
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Cigarettes at \$1.79/pack (\$0.50 increase)	\$31.30	\$27.50	\$26.54	\$25.61	\$24.71
Cigarettes at \$2.29/pack (\$1.00 increase)	\$53.14	\$48.06	\$46.38	\$44.75	\$43.19
Cigarettes at \$2.79/pack (\$1.50 increase)	\$66.66	\$61.66	\$59.51	\$57.42	\$55.41

Information from online e-cigarette retailers suggests that anywhere from 1 to 3 milliliters of consumable material is approximately equal to one pack of cigarettes.

Table 4 estimates increases in the consumable material tax based on this information while assuming no change in the tax on cigarettes and Table 5 estimates increases in the consumable material tax assuming a \$1.00 increase in the tax on cigarettes.

**Table 4**

		(in millions)				
	Assumes cigarettes at \$1.29/pack	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
3ml = 1 pack	Consumable material at \$0.43/ml	\$7.90	\$9.88	\$9.98	\$10.08	\$10.18
2ml = 1 pack	Consumable material at \$0.65/ml	\$12.42	\$15.54	\$15.69	\$15.85	\$16.01
1ml = 1 pack	Consumable material at \$1.29/ml	\$25.34	\$31.69	\$32.01	\$32.33	\$32.65

**Table 5**

		(in millions)				
	Assumes cigarettes at \$2.29/pack	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
3ml = 1 pack	Consumable material at \$0.76/ml	\$14.67	\$18.34	\$18.53	\$18.71	\$18.90
2ml = 1 pack	Consumable material at \$1.15/ml	\$22.55	\$28.19	\$28.47	\$28.76	\$29.05
1ml = 1 pack	Consumable material at \$2.29/ml	\$44.84	\$56.07	\$56.63	\$57.20	\$57.77