

## Wholesale tax on e-cigarettes and vapor products

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### Description

This proposal would impose the following new tax and regulations on e-cigarettes and vapor products:

- New excise tax on vapor products at 95 percent of the taxable sales price (generally the taxpayer's purchase price), collected by the Department of Revenue from distributors.
  - Vapor products would be defined to include all e-cigarettes, e-liquid and stand-alone vaporizing paraphernalia, even if the product does not contain nicotine.
  - Distributors and retailers of vapor products would have to be licensed with the Liquor Control Board (LCB) and comply with recordkeeping and audit requirements similar to those applicable to the other tobacco products (OTP) tax.
  - Internet sales of vapor products directly to consumers in Washington would be banned.
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### Current Law

Under current law, the OTP tax rate is generally 95 percent of the taxable sales price (generally the taxpayer's purchase price). However, there are specific rates that apply to:

- Little cigars (\$0.15125 per cigar or \$3.025 per pack of 20).
- Cigars other than little cigars (the lesser of 95 percent of the taxable sales price or 65 cents per cigar).
- Moist snuff (\$2.526 per single unit of 1.2 ounces or less and a proportionate rate for larger units).

The department collects the OTP taxes, and the LCB ensures that tobacco sellers are properly licensed and in compliance with the laws governing the sale and transportation of OTP.

Currently, vapor products are not subject to any specific excise tax, although general state taxes apply (e.g., retail sales tax and B&O tax). There is no licensing requirement for sellers of vapor products.

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## Wholesale tax on e-cigarettes and vapor products, Continued

### Revenue Impact

#### General Fund Impacts (\$ millions)

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
6,700	\$4.3	\$13.8	\$18.1	\$28.3	\$50.1	\$78.4

- *Estimates assume a July 1, 2015, effective date, representing 11 months of collections for FY 2016.*
- *Estimates reflect the November 2014 Economic and Revenue Forecast Council revenue forecast.*