



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0910.02 (001): Provide for taxation of vapor products**

Primary Sponsor: **Mary Caferro** Status: **As Amended in House Committee**

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact  
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

### **FISCAL SUMMARY**

	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>	<b><u>FY 2029</u></b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>Expenditures</b>				
General Fund (01)	\$247,147	\$241,765	\$244,922	\$248,135
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>Revenues</b>				
General Fund (01)	\$275,000	\$1,159,000	\$1,220,000	\$1,283,000
State Special Revenue (02)	\$275,000	\$1,159,000	\$1,220,000	\$1,283,000
<b>Net Impact</b>	<b><u>\$27,853</u></b>	<b><u>\$917,235</u></b>	<b><u>\$975,078</u></b>	<b><u>\$1,034,865</u></b>
<b>General Fund Balance</b>				

### **Description of fiscal impact**

HB 910, as amended, creates a separate definition for "vape product". The bill also levies a 20% tax on wholesale price on vape products. If the amended bill passes, the Department of Revenue would need to update the website, create audit authority, and create or modify new tax returns, reports, or forms. Furthermore, the Department would need three additional full-time employees to implement the new tax. A fiscal impact is anticipated. Amendments reduced the tax from 50% of the wholesale price to 20% of the wholesale price.

### **FISCAL ANALYSIS**

#### **Assumptions**

1. HB 910 is effective June 30, 2025.
2. HB 910 adds a vapor products definition separate from tobacco products. To estimate how much revenue the tax would bring to the State of Montana, Utah was used as a model. Utah's tax on vapor and alternative nicotine products became effective in 2020. They levy a 56% tax on the wholesale price of e-cigarette and alternative nicotine products. To model this for Montana, a per capita methodology was implemented. Data provided by the Utah State Tax Commission on e-cigarette and alternative nicotine products is shown in Table 1.1:

<b>FY</b>	<b>E-Cig and Alt. Nicotine Product Tax Revenue</b>
2022	\$13,776,324
2023	\$14,689,335
2024	\$15,249,350

3. As of 2024, Utah's population is estimated at 3.45 million – or about three times Montana's estimated population of 1.14 million. Assuming this tax revenue came from adult users of vape, data from the U.S. Census Bureau shows that Utah's adult (over 18) population is 71% of the total population and 78.4% for Montana. According to the National Center for Health Statistics, the percentage of adults that use e-cigarettes or electronic vaping products is 4.7%. This percentage was applied to the adult populations of Utah and Montana, which is also assumed constant over the estimating period of 2022, 2023, and 2024. Table 1.2 shows the value of the referenced percentages on the respective states' populations.

Utah population	Adult population	4.7% that use vape
3,454,230	2,452,503	115,268
Montana population	Adult population	4.7% that use vape
1,142,750	895,916	42,108

4. Since population is assumed constant, the values in Table 1.1. are then used to find the tax paid per capita in Utah over the three years provided by dividing their e-cigarette and alternative nicotine tax revenue. This is done by adjusting Utah's per capita tax revenue (from a 56% tax), shown in Table 1.3, to the proposed 50% in HB 910. To apply this, Utah's per capita tax revenue is adjusted to 100% of value (from a 56% tax). These adjusted values are shown in Table 1.4.

FY	Utah Tax Revenue Per Capita
2022	\$119.52
2023	\$127.44
2024	\$132.29

FY	Utah Tax Revenue Per Capita Non-Tax Spending
2022	\$213.42
2023	\$227.56
2024	\$236.24

5. To obtain estimates for Montana's vape tax revenue at a 20% tax rate, Montana's vaping population is multiplied by the 100% tax revenue per capita values in Table 1.4 and then taking 20%. These tax revenue estimates are provided in Table 1.5

FY	Estimated MT Vape Tax Revenue
2022	\$1,797,000
2023	\$1,916,000
2024	\$1,990,000

6. Vapor nicotine product consumption is expected to keep growing into the next decade. To obtain estimates for fiscal years 2026 to 2029, Montana's projected vape tax revenue growth rate was calculated from Table 1.5. Between 2022 and 2023, vape tax revenue grew by 6.6% and by 3.8% from 2023 to 2024, which averaged at 5.22%. This growth will be assumed constant for the forecast period of fiscal year 2026 to 2029. The values are shown below in Table 1.6. Since the collections for this vapor nicotine tax would not begin until March 1, 2026 (or a quarter of fiscal year 2026) then only 25% of potential revenue would be collected.

<b>FY</b>	<b>Projected MT Vapor Tax Revenue</b>
2026	\$551,000
2027	\$2,318,000
2028	\$2,439,000
2029	\$2,566,000

7. HB 910 would distribute this vapor nicotine revenue as 50% to the general fund and 50% to the Department of Health and Human Services for tobacco health and Medicaid initiatives. These distributions are shown in Table 1.7.

<b>FY</b>	<b>General Fund (50%)</b>	<b>DPHHS Nicotine Use Prevention (50%)</b>
2026	\$275,000	\$275,000
2027	\$1,159,000	\$1,159,000
2028	\$1,220,000	\$1,220,000
2029	\$1,283,000	\$1,283,000

8. If HB 910 becomes law, the Department of Revenue would collect approximately \$550,000 in tax revenue in 2026, \$2.3 million in 2027, \$2.4 in 2028, and \$2.5 million in 2029. Additionally, the general fund would see new funds as \$275,000 in 2026, \$1.16 million in 2027, \$1.22 million in 2028, and \$1.28 million in 2029.
9. The Department of Revenue would need 1.0 FTE audit technician to assist with tax filing, tax return reconciliation, and front-end compliance; 1.0 FTE tax examiner would be needed to conduct audits on the tobacco product wholesalers; and 1.0 FTE customer service assistant. This would cost \$247,147 in FY 2026, \$241,765 in FY 2027, \$244,922 in FY 2028, and \$248,135 in FY 2029.

## Fiscal Analysis Table

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<b><u>Fiscal Impact</u></b>				
FTE	3.00	3.00	3.00	3.00
<b>TOTAL Fiscal Impact</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
<b><u>Expenditures</u></b>				
Personal Services	\$210,814	\$213,406	\$216,035	\$218,705
Operating Expenses	\$27,459	\$28,359	\$28,887	\$29,430
Equipment	\$8,874	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$247,147</b>	<b>\$241,765</b>	<b>\$244,922</b>	<b>\$248,135</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$247,147	\$241,765	\$244,922	\$248,135
<b>TOTAL Funding of Expenditures</b>	<b>\$247,147</b>	<b>\$241,765</b>	<b>\$244,922</b>	<b>\$248,135</b>
<b><u>Revenues</u></b>				
General Fund (01)	\$275,000	\$1,159,000	\$1,220,000	\$1,283,000
State Special Revenue (02)	\$275,000	\$1,159,000	\$1,220,000	\$1,283,000
<b>TOTAL Revenues</b>	<b>\$550,000</b>	<b>\$2,318,000</b>	<b>\$2,440,000</b>	<b>\$2,566,000</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	\$27,853	\$917,235	\$975,078	\$1,034,865
State Special Revenue (02)	\$275,000	\$1,159,000	\$1,220,000	\$1,283,000

**NOT SIGNED BY SPONSOR**

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Sponsor's Initials

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Date

  
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Budget Director's Initials

4/5/2025  
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