

# E-Cigarette Tax Policy in California

California State  
Board of Equalization



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# E-Cigarette Tax Policy in California



- **CURRENT CIGARETTE AND TOBACCO TAX LAW**
- **KEY ISSUES AND CHANGING CURRENT LAWS**
  - **PROPOSED LEGISLATION**

# Current Cigarette and Tobacco Tax Law



- A cigarette tax is imposed upon distributors of cigarettes at a tax rate of \$.87 per pack of 20 cigarettes.

# Current Cigarette and Tobacco Tax Law (cont.)



- Effective January 1, 1989, (Proposition 99) added a tax imposed upon distributors of tobacco products, based on the wholesale cost of the products. The current rate for FY 2014-2015 is 28.95%.
- Section 30130 states this article may be amended only by four-fifths vote of the membership of both houses of the Legislature.

# Current Cigarette and Tobacco Tax Law (cont.)



- **Distribution includes:**
  - The sale of untaxed cigarettes or tobacco products in this state.
  - The use or consumption of untaxed cigarettes or tobacco products in this state.
  - The placing in this state of untaxed cigarettes or tobacco products in a vending machine or in retail stock for the purpose of selling the cigarettes or tobacco products to consumers.

# Current Cigarette and Tobacco Tax Law (cont.)



- A cigarette is any roll for smoking, made wholly or in part of tobacco, irrespective of size or shape and irrespective of whether the tobacco is flavored, adulterated or mixed with any other ingredient, where such roll has a wrapper or cover made of paper or any other material, except where such wrapper is wholly or in the greater part made of tobacco and such roll weighs over three pounds per thousand.

# Current Cigarette and Tobacco Tax Law (cont.)



- Tobacco products include all forms of cigars, except “little cigars,” smoking tobacco, chewing tobacco, and snuff, as well as other products containing at least 50 percent tobacco.

# Current Cigarette and Tobacco Products



- A retailer, distributor, wholesaler, manufacturer, and importer must obtain a license and pay the applicable fee for each location.
- E-cigarettes are currently only subject to Sales and Use Tax in the State of California.



# Key Issues and Changing Current Laws



- Current law requires fourth-fifths vote.
- Work with Legislative & Research Division to draft and introduce new legislation.
- Hold Interested Party meetings with industry and stakeholders.

# Key Issues and Changing Current Laws (cont.)



- Determine how to tax the products
- Licensing requirements
- Identify who sells the product
- Identify the cost to administer a new program
- Identify the use of funds and will a backfill be required
- Is a warning label required
- Impact on the Master Settlement Agreement

# Proposed Legislation



- **Senate Bill 24**
  - Restrict the sale of electronic cigarettes to minors.
  - Require retailers to obtain a license with the California State Board of Equalization to sell electronic cigarettes.
  - Require child-proof packaging.
  - Does not extend current cigarette or tobacco taxes to electronic cigarettes.
  - Does not provide product standards.

# Thank You!



## QUESTIONS?