

FISCAL NOTE

December , 2025

Bill No:	HB 1425	Printer's No:	2675	Sponsor:	McNeill (D)
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COST / (SAVINGS)

Fund (s)	Current Year	Out Year 1
General Fund	See "FISCAL IMPACT"	See "FISCAL IMPACT"
Tobacco Products Administration Cash Fund	See "FISCAL IMPACT"	See "FISCAL IMPACT"
Other Tobacco Products Tax	See "FISCAL IMPACT"	See "FISCAL IMPACT"
Cigarette Tax	\$1.700 million	\$5.900 million
Sales and Use Tax	(\$0.400 million)	(\$1.300 million)

SUMMARY: This bill amends the Fiscal Code, in cigarette sales and licensing, further providing for definitions and providing for presumed cost of doing business by retailer; providing for tobacco products; and making repeals.

ANALYSIS: HB 1425 revises the rates of the presumed cost of doing business by retailers of cigarettes, requires a public directory for electronic nicotine delivery systems (ENDS) listing all certified manufacturers and electronic cigarettes that contain nicotine, and requires annual manufacturer and product certifications for electronic cigarettes.

The presumed cost of doing business by retailers shall increase from the current 7 percent to 8.5 percent beginning 60 days after the effective date or March 1, 2026, whichever is later; and increase to 9.5 percent one year after the initial increase.

The Office of Attorney General (OAG) shall publish and maintain the ENDS directory, maintain a public database for violations, and issue annual reports on enforcement. The Department of Revenue (DOR) and OAG may inspect businesses which sell or store electronic cigarettes and conduct unannounced compliance checks.

The bill creates certification fees in the amount of \$2,000 initial/\$1,000 annual renewal for each brand family and \$200 initial/\$100 annual renewal for each brand style. The bill also requires a \$50,000 surety bond from manufacturers.

The bill creates various civil penalties for violations ranging from \$500 to \$1,500.

HB 1425 also establishes the Tobacco Products Administration Cash Fund for deposit of all amounts received from penalties, violations, certifications, bonds, and fees to be used for administration and enforcement of this section.

Section 1202-A(b) of the Tax Reform Code, relating to retailers of tobacco products, is repealed for implementation of this bill. Portions of the Act shall take effect immediately and portions of the Act shall take effect in 60 days.

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FISCAL IMPACT: HB 1425 would incur a fiscal impact of \$1.398 million in Fiscal Year 2025-26 and \$5.900 million in Fiscal Year 2026-27 for OAG administrative/enforcement costs and mandatory minimum retail markup changes.

Administrative and enforcement costs would first be funded from available funds within the established Tobacco Products Administration Cash Fund. If insufficient funds are available, additional appropriations would be required.

Markup changes would result in a decrease in Cigarette Tax collections due to decreased sale volume from increased prices which would be partially offset by an increase in Sales and Use Tax (SUT) collections due to the increased sales price.

Additionally, this bill would impact collections under the Other Tobacco Products Tax in an indeterminate amount based on sales of electronic cigarette products. Other Tobacco Products Tax revenue is budgeted at \$140.600 million for 2025-26.

DOR does not anticipate the need for additional funds for enforcement as the department already budgets for and carries out confiscations of electronic cigarette products.

Cost	Current Year	Out Year 1
OAG Administration/Enforcement	\$0.098 million	\$1.300 million
DOR Administration/Enforcement	\$0	\$0
Mandatory minimum retail markup changes (Cigarette Tax)	\$1.700 million	\$5.900 million
Mandatory minimum retail markup changes (SUT)	(\$0.400 million)	(\$1.300 million)
Other Tobacco Products Tax	Indeterminate	Indeterminate