John Wiemer February 21, 2025 402-471-0051

LB 125

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2025-26		FY 20	26-27		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS						
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		See Below		See Below		

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 125 adds nicotine analogue to the definitions of alternative nicotine product and electronic nicotine delivery system under section 28-1418.01. The definition of nicotine analogue is added to mean a substance that has a chemical structure substantially similar to nicotine or an effect on the central nervous system that is substantially similar to, or greater than, the effect on the central nervous system of nicotine.

The bill amends the Tobacco Products Tax Act.

Under the bill, nicotine analogues are added to the definition of consumable material.

The bill adds alternative nicotine products to the definition of tobacco under the Act.

The bill provides a tax on alternative nicotine products of 20% of the purchase price of such products paid by the first owner or the price at which a first owner who made, manufactured, or fabricated the product sells the items to others.

The bill becomes operative on January 1, 2026.

The Department of Revenue (DOR) estimates the following increase to the Tobacco Products Administration Cash Fund as a result of the bill:

- FY26: \$927,000
- FY27: \$2,448,000
- FY28: \$2,693,000
- FY29: \$2,962,000

The DOR estimates minimal costs to it as a result of the bill.

The inclusion of nicotine analogues to the definition of consumable material appears to include additional products for the taxation and certification fees regarding Electronic Nicotine Delivery Systems (ENDS). Thus, this could increase General Fund revenues connected to the taxation of ENDS and increase revenues credited to the Tobacco Products Administration Cash Fund connected to ENDS certification fees.

LB: 125 AM: AGENCY/POLT. SUB: Department of Revenue				
REVIEWED I	BY: Ryan Yang	DATE: 2/20/2025	PHONE: (402) 471-4178	

Fiscal Note 2025

State Agency Estimate						
State Agency Name: Department of	Revenue				Date Due LFO:	
Approved by: James R. Kamm		Date Prepared:	02/19/2025		Phone: 471-5896	
	FY 2025-2026		<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds						
Cash Funds		\$927,000		\$2,448,000		\$2,693,000
Federal Funds						
Other Funds						
Total Funds		\$927,000		\$2,448,000		\$2,693,000

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LB 125 amends the definition of alternative nicotine products and electronic nicotine delivery system (ENDS) to include nicotine analogues. Nicotine analogue means any substance that has a chemical structure substantially like nicotine; or an effect on the central nervous system that is substantially like, or greater than, the effect on the central nervous system of nicotine. The definition of alternative nicotine products is the same as in 28-1418.01. The definition of consumable material is expended to include nicotine analogues. For the Tobacco Products Tax Act, the definition of nicotine analogue is the same as alternative nicotine products and ENDS. The definition of tobacco products is expanded to include alternative tobacco products. The tax rate for alternative nicotine products is 20% of the purchase price of such products paid by the first owner or the price at which a first owner who made, manufactured, or fabricated the product sells the items to others. This is same rate as tobacco products other than ENDS and snuff.

It is estimated that LB 125 will have the following impact on the Tobacco Products Administration Cash Fund:

Fiscal year	Tobacco Products Administration Cash Fund
FY 2025-26	\$927,000
FY 2026-27	\$2,448,000
FY 2027-28	\$2,693,000
FY 2028-29	\$2,962,000

It is estimated that there will be minimal costs to the Department of Revenue to implement the bill.

The operative date for this bill is January 1, 2026.

Major Objects of Expenditure							
<u>Class Code</u>	Classification Title	25-26 <u>FTE</u>	26-27 <u>FTE</u>	27-28 <u>FTE</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	27-28 <u>Expenditures</u>
	Benefits						
Operating Costs							
Travel							
Capital Outlay							
	ts						
Total							