



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

January 7, 2026

Honorable Michelle Au  
State Representative  
611-G Coverdell Legislative Office Building  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill 84 (LC 59 0024)

Dear Representative Au:

The bill would increase the excise tax on consumable vapor products and treat all consumable vapor products uniformly. Consumable vapor products in a closed system are currently taxed at 5¢ per fluid milliliter, while all other vapor products are taxed at 7 percent of the wholesale cost price. This bill would change the excise tax on all consumable vapor products to a 15-percent tax on the wholesale cost price. The revenues generated from any increase in rates on these products are to be appropriated to address healthcare issues affecting Georgia residents. No effective date is specified. For purposes of this note, July 1, 2026, is assumed.

## Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase revenue as shown in Table 1. The appendix provides details of the analysis.

**Table 1. Projected Revenue Effects under HB 84 LC 59 0024**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Low Response, High Revenue	\$20.7	\$23.0	\$25.1	\$27.4	\$29.7
High Response, Low Revenue	\$12.1	\$13.6	\$15.0	\$16.5	\$18.0

## Impact on Expenditures

The Department of Revenue would be able to implement the bill's provisions with existing resources.

Respectfully,

Greg S. Griffin  
State Auditor

Richard Dunn, Director  
Office of Planning and Budget

GSG/RD/mt

### Analysis by the Fiscal Research Center

Tobacco tax revenues from consumable vapor products during fiscal year (FY) 2023 totaled \$11.4 million, based on Department of Revenue (DOR) reporting, with \$2.2 million derived from the 5¢ per fluid milliliter tax on closed-system products and the remainder from the 7-percent tax on the wholesale cost price on all other vapor products. Statista, a statistical research service, reports that revenues from the vapor industry are expected to grow by 6.55 percent during FY 2025 and for growth rates to decline to 1.42 percent by FY 2031. The current-law baseline estimates, which are partially based on unit volumes, assume half of this growth is the result of price inflation and the remaining growth is based on increasing consumption. Table 2 details the milliliters of consumable vapor product and wholesale purchases projected through FY 2031 based on this expected growth.

**Table 2. Current Law Milliliter and Wholesale Purchase Projections**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Units of Consumable Vapor Product (in millions of milliliters)</b>					
Current Law Baseline	42.01	42.31	42.60	42.90	43.20
<b>Wholesale Purchases of Open/Wholesale Vapor Products (\$ in millions)</b>					
Current Law Baseline	\$59.48	\$60.33	\$61.17	\$62.03	\$62.90
<b>Revenues</b>					
Current Law Baseline	\$11.02	\$11.16	\$11.31	\$11.45	\$11.60

The tax increases are assumed to pass fully to consumers via higher retail prices. Online product research and research published in 2020 in the peer-reviewed journal, *Tobacco Induced Diseases*, indicates that the average wholesale cost price per milliliter for closed vaping systems is between \$2.25 and \$3.15. At these values and for a typical two-millimeter closed system purchase, the current tax of 10¢ would increase to between \$0.73 and \$1.02. This estimate is expected to increase the retail price for closed systems between 8.2 and 9.2 percent, the basis for the high-low behavioral response estimates. The increase in the tax rate on all other vapor products from 7 to 15 percent is estimated to increase retail prices by 6.1 percent.

Research published in the *Journal of Health Economics* in 2022 found that the own-price elasticity of e-cigarettes is -2.2, meaning that a 1-percent increase in the retail price of these products predicts a 2.2-percent decline in unit purchases. The high-low behavioral response estimates assume a high response of a 2.5-percent reduction in units purchased and a low of a 2-percent reduction. The low response, high revenue estimates are based on \$3.15 of wholesale cost-price per milliliter for closed systems and the high response, low revenue estimates are based on \$2.25.

Table 3 summarizes the low and high revenue estimates of wholesales purchases of vapor products through FY 2031 based on these data and elasticity assumptions. For the revenue impacts in Table 1, the proposed 15-percent tax is applied, and the revenue gain is that amount over the current-law baseline.

**Table 3. Projected Wholesale Purchases of Consumable Vapor Products**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Closed System Vapor Products</b>					
Low Response, High Revenue Case	\$159.4	\$174.2	\$189.2	\$204.4	\$219.8
High Response, Low Revenue Case	\$104.9	\$114.6	\$124.5	\$134.5	\$144.6
<b>Open/Wholesale Vapor Products</b>					
Low Response, High Revenue Case	\$52.3	\$53.0	\$53.8	\$54.5	\$55.3
High Response, Low Revenue Case	\$49.6	\$50.3	\$51.0	\$51.7	\$52.4