

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 2320

# STATE OF NEW JERSEY

DATED: JUNE 1, 2017

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2320.

This bill raises the minimum age for purchasing tobacco and electronic smoking devices from 19 to 21 years, and raises the minimum age from 19 to 21 years of a person to whom a vendor may sell, offer for sale, distribute, give or furnish such products in New Jersey. The bill also amends various related statutes concerning penalties, fines, signage requirements, non-face-to-face transactions, and enforcement provisions to reflect the increased minimum age.

As reported, this bill is identical to Senate Bill No. 359, as also reported by the committee.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that prohibiting the sale of cigarettes and other tobacco products to individuals aged 19 and 20 would result in a reduction in State revenue from related taxes: the cigarette tax, the sales and use tax, and the tobacco products wholesale sales and use tax. The precise magnitude of this reduction is uncertain due to a variety of factors, particularly the rate at which individuals affected by the bill would circumvent its provisions, such as by acquiring cigarettes through noncompliant retailers or through older proxies. The OLS estimates that, assuming an effective date of October 1, 2016, the bill would decrease State revenue by \$4.5 million to \$12.1 million in Fiscal Year 2017. The amount of forgone revenue would gradually decline over time, primarily as a result of a long-term declining trend in cigarette sales.

The OLS expects the revenue reductions to affect only the General Fund. Parts of the cigarette tax and the tobacco products wholesale sales and use tax are dedicated to the Health Care Subsidy Fund and to debt service on cigarette tax revenue securitization bonds, but statutory law shields these dedications from the effects of decreasing revenue. Consequently, the General Fund portion of the cigarette tax collections would absorb the entirety of the revenue loss from the anticipated decrease in sales.

The OLS also notes that the bill might indirectly affect State spending on health care (e.g. Medicaid or the State Health Benefits Program), by preventing some young people from developing tobacco habits that can cause health problems. Most of this impact would occur

outside of the timeframe of this fiscal estimate. Effects on maternal and child health might manifest sooner, but the OLS lacks sufficient data to estimate the magnitude or net direction of such effects on State health care spending in the first few years.