

# OFFICE OF FISCAL ANALYSIS

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sHB-7275

AN ACT CONCERNING THE REGULATION OF CIGARETTES,  
TOBACCO PRODUCTS, ELECTRONIC NICOTINE DELIVERY  
SYSTEMS AND VAPOR PRODUCTS.

## ***OFA Fiscal Note***

### ***State Impact:***

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Revenue Serv., Dept.	GF - Potential Cost	Up to 230,000	Up to 230,000
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Potential Cost	Up to 93,633	Up to 93,633
Resources of the General Fund	GF - Potential Revenue Gain	See Below	See Below
Judicial Dept. (Probation); Correction, Dept.	GF - Potential Cost	Minimal	Minimal

Note: GF=General Fund

***Municipal Impact:*** None

### ***Explanation***

The bill makes various changes regarding the cigarette, tobacco, and electronic nicotine delivery system and vapor product laws resulting in the following impact.

**Section 1** expands the definition of "cigarette" for tax purposes to include any roll, stick, or capsule of tobacco intended to be heated under ordinary conditions of use. This results in a potential revenue gain which is anticipated to be initially minimal, but which may grow in the future depending on market share.

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<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

**Section 2 and 3** create two new unfair trade practice violations concerning the selling and transporting of cigarettes, tobacco, and electronic nicotine delivery systems or vapor products resulting in no fiscal impact to the Department of Consumer Protection as the agency has the expertise and resources to meet the requirements of the bill. These sections, which authorizes the Department of Revenue Services (DRS) to bring an action for violations, results in (1) a potential cost to DRS of up to \$230,000 and (2) a potential cost to the Office of the State Comptroller Fringe Benefits account of up to \$93,633 associated with the hiring of two Staff Attorney positions. As the language of the bill is permissive, it is not anticipated that DRS would bring an action unless the necessary resources are available.

**Section 2** expands an existing class A misdemeanor and an existing class C felony which results in a potential cost to the Department of Correction and the Judicial Department for incarceration or probation and a potential revenue gain to the General Fund from fines. On average, the marginal cost to the state for incarcerating an offender for the year is \$3,300<sup>2</sup> while the average marginal cost for supervision in the community is less than \$600<sup>3</sup> each year for adults and \$450 each year for juveniles.

**Section 3** creates a class B misdemeanor for a first offense of improperly transporting e-cigarettes or vape products and a class A misdemeanor for subsequent offenses, which results in a potential cost to the Judicial Department for probation and a potential revenue gain to the General Fund for fines.

**Section 4** adds to the list of what violations qualify for a civil penalty of up to \$1,000 resulting in a potential revenue gain to the state to the

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<sup>2</sup>Inmate marginal cost is based on increased consumables (e.g., food, clothing, water, sewage, living supplies, etc.) This does not include a change in staffing costs or utility expenses because these would only be realized if a unit or facility opened.

<sup>3</sup>Probation marginal cost is based on services provided by private providers and only includes costs that increase with each additional participant. This does not include a cost for additional supervision by a probation officer unless a new offense is anticipated to result in enough additional offenders to require additional probation officers.

extent violations occur.

***The Out Years***

The annualized ongoing fiscal impact identified above will continue into the future subject to growth in the market for cigarette products covered under the bill and the number of violations.