

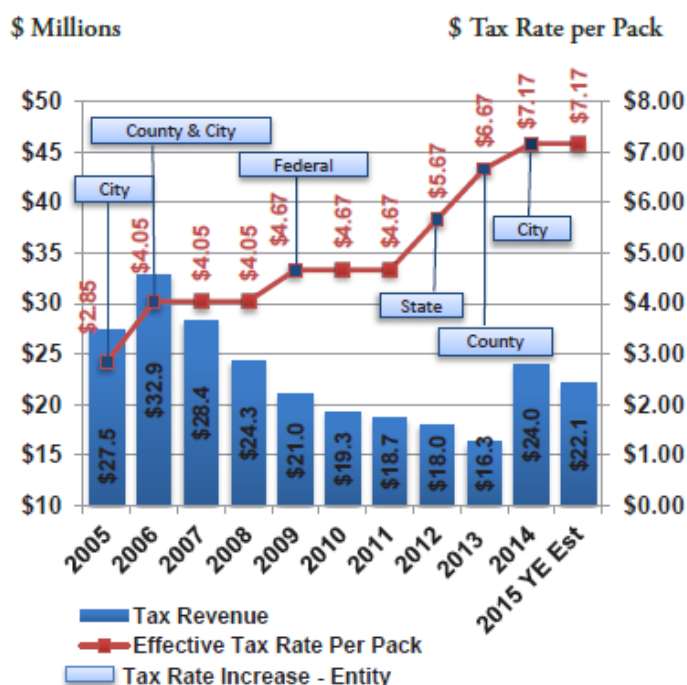
E-Cigarette Tax

E-Cigarette Tax: The City currently imposes a tax on regular cigarettes but does not impose a tax on e-cigarettes.

Background

The City currently imposes a \$1.18 per pack tax on the sale of cigarettes. There is also a federal, state, and county tax on cigarettes sold in Chicago. The chart below presents City cigarette tax revenue together with changes in the total effective tax rate on cigarettes.

CIGARETTE TAX REVENUE AND RATE INCREASES



Historically, cigarette tax revenues have been impacted by cross-border sales activity, as well as an overall decline in smoking in the general population. Additional information and revenue history for the City's cigarette tax can be found on page 14 of the 2015 Annual Financial Analysis.

The City does not currently impose taxes on the fluid used in e-cigarettes.

There is not currently any tax specific to e-cigarettes sold in Chicago. E-cigarettes are a growing trend in the United States, with nationwide sales in 2015 expected to reach \$2 billion, and approximately \$3.6 million in Chicago this year.

Revenue Impact

A tax on e-cigarettes could take one of two forms – a tax on the value of the nicotine juice or a unit tax. A 50% tax on the value of nicotine juice could yield \$500,000, while a unit tax of \$1 per milliliter could yield \$600,000.

Legal Authority

State law prohibits any new taxes on tobacco products without state legislation granting authority to the local taxing body. There is some risk that a tax on e-cigarettes would be preempted by this state law. However, an argument could be made that e-cigarettes are not tobacco products.