HOUSE BILL REPORT
HB 2382

As Reported by House Committee On:
Finance

Title: An act relating to excise taxes on cigarettes, vapor products, and tobacco products.

Brief Description: Concerning excise taxes on cigarettes, vapor products, and tobacco products.

Sponsors: Representatives Parshley, Ryu, Reed, Doglio, Macri, Thai and Pollet.

Brief History:
Committee Activity:
Finance: 1/30/26, 2/9/26 [DPS].

Brief Summary of Substitute Bill

- Increases the cigarette tax by $2 per pack and directs moneys from this additional amount of the tax to specified new and existing accounts.
- Restructures the vapor products tax to be 95 percent of the taxable sales price, replacing the milliliter tax, while excluding vapor products without nicotine from the tax.
- Modifies the other tobacco products tax by: (1) increasing the cap on cigars to 85 cents per cigar, from 65 cents per cigar; (2) increasing the tax on little cigars and moist snuff; and (3) directing 10 percent of collections into the Foundational Public Health Services (FPHS) Account starting July 1, 2028.
- Adds uses to the FPHS Account related to education and cessation.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Berg, Chair; Street, Vice Chair; Mena, Ramel, Santos, Springer, Wylie and Zahn.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 5 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell, Chase and Penner.

Minority Report: Without recommendation. Signed by 1 member: Representative Scott.

Staff: Peter Clodfelter (786-7127).

Background:

Cigarette Tax.
Two separate state taxes are imposed on the sale, use, consumption, handling, possession, or distribution of all cigarettes. One is at the rate of 12.125 cents per cigarette. The other tax is 3 cents per cigarette. This creates a total tax rate of 15.125 cents per cigarette, or $3.025 per pack. This is in addition to retail sales and use, business and occupation, and litter taxes that may apply. Cigarette taxes are deposited to the General Fund.

Vapor Products Tax.
Vapor products are subject to sales and use taxes as well as a vapor products tax. The vapor products tax is on sale, use, consumption, handling, possession, or distribution of vapor products subject to taxation as follows:

- 9 cents per milliliter of liquid or solution for accessible containers of liquid solution that are larger than 5 milliliters; or
- 27 cents per milliliter of liquid solution for all other vapor products.

The moneys collected from the vapor products tax must be deposited as follows:

- 50 percent into the Andy Hill Cancer Research Endowment Fund Match Transfer Account (Andy Hill Account); and
- 50 percent into the Foundational Public Health Services (FPHS) Account.

However, vapor products tax collections into the Andy Hill Account are capped at $10 million per year, and amounts over this must be deposited into the FPHS Account. Effective January 1, 2026, the other tobacco products tax, instead of the vapor products tax, is being applied to vapor products with nicotine.

Other Tobacco Products Tax.
There is levied and collected a tax upon the sale, handling, or distribution of all tobacco products at the following rate:

- for cigars except little cigars, 95 percent of the taxable sales price of cigars, not to exceed 65 cents per cigar;
- for little cigars, an amount per cigar equal to the cigarette tax;
- for all tobacco products except those covered under separate provisions, 95 percent of the taxable sales price; and
- for moist snuff, $2.526 per unit or 83.5 percent of the cigarette tax rate.

However, the tax imposed on a product must be reduced by 50 percent or 25 percent if that same product is issued a modified risk tobacco product order by the Secretary of the United States Department of Health and Human Services under different federal standards.

The other tobacco products tax is imposed at the time the distributor:

- brings, or causes to be brought, tobacco products for sale into Washington;
- makes, manufactures, fabricates, or stores tobacco products in Washington for sale in Washington;
- ships or transports tobacco products to retailers in Washington, to be sold by those retailers; or
- handles for sale any tobacco products that are within Washington but upon which tax has not been imposed.

Tobacco products taxes must be deposited into the General Fund.

Foundational Public Health Services Account.
Moneys in the FPHS Account must be used to fund foundational health services.

Statewide Emergency Medical Services and Trauma Care System Act.
A 1990 law required the Department of Health (DOH), in consultation with a steering committee, to establish the Washington State Emergency Medical Services and Trauma Care System. This includes a statewide plan that identifies statewide emergency medical services and trauma care objectives and priorities and identifies equipment, facility, personnel, training, and other needs required to create and maintain a statewide emergency medical services and trauma care system. Any hospital or health care facility that desires to be authorized to provide a designated trauma care service must request designation from the DOH.

The law also directed the DOH to establish a statewide data registry to collect and analyze data on the incidence, severity, and causes of trauma, including traumatic brain injury. A 2010 law directed the DOH to endeavor to enhance and support an emergency cardiac and stroke care system, including giving a hospital deemed status and designating it as a primary stroke center, and adopting cardiac and stroke prehospital patient care protocols, patient care procedures, and triage tools.

Summary of Substitute Bill:

Cigarette Tax.
Effective July 1, 2027, in addition to the current cigarette tax, an additional tax is imposed upon the sale, use, consumption, handling, possession, or distribution of cigarettes, at a rate of 10 cents per cigarette, which is $2 per pack.

From this additional tax:

- the first $10 million per fiscal year is directed to an appropriated Time Sensitive Emergency System Account, to be used by the DOH to fund a time sensitive emergency system, including for heart attack, cardiac arrest, and stroke, and activities under the Statewide Emergency Medical Services and Trauma Care System Act;
- the next $2 million per fiscal year is directed to an appropriated Supplemental Nicotine and Tobacco Enforcement Account, to be used by the Liquor and Cannabis Board for enforcement of laws regulating the sale and taxation of cigarettes, tobacco products, and vapor products;
- up to $10 million annually is directed to the Andy Hill Account to the extent vapor products tax collections result in less than $10 million annually to the Andy Hill Account;
- the remainder of revenues is directed to the General Fund until June 30, 2028; and
- beginning July 1, 2028, 10 percent of revenues above the amounts to the Time Sensitive Emergency System Account and the Andy Hill Account is directed to the FPHS Account, with the remainder to the General Fund.

Vapor Products Tax.
Effective July 1, 2027, the vapor products tax is restructured from a milliliter tax, to a tax of 95 percent of the taxable sales price, upon the sale, use, consumption, handling, possession, or distribution of all vapor products. However, vapor products without nicotine are excluded from the vapor products tax.

Other Tobacco Products Tax.
Effective July 1, 2027, the other tobacco products tax is modified by:

- increasing the cap on cigars to 85 cents per cigar from 65 cents per cigar;
- increasing the tax on little cigars and moist snuff to the new cigarette tax rate; and
- directing that 10 percent of the tobacco products tax collections be deposited into the FPHS Account starting July 1, 2028, instead of entirely to the General Fund.

Foundational Public Health Services Account.
In addition to funding foundational health services, the uses of funds in the FPHS Account are modified to fund education about the health risks and harms associated with the use of cigarettes, tobacco products, and vapor products and cessation services for persons seeking to stop the use of cigarettes, tobacco products, or vapor products.

Andy Hill Cancer Research Endowment Fund Match Transfer Account.
The cap on vapor products tax collections into the Andy Hill Account is modified, so that amounts over $10 million per year must be directly deposited into the FPHS Account without first being deposited into the Andy Hill Account and then transferred for deposit into the FPHS Account.

Substitute Bill Compared to Original Bill:

As compared to the original bill, the substitute bill:

- changes the effective date of the bill to July 1, 2027, from July 1, 2026;
- adds that, to the extent vapor products tax collections result in less than $10 million annually to the Andy Hill Account, the remaining amount to reach $10 million annually must be deposited into the Andy Hill Account from the additional tax on cigarettes in the bill;
- revises an existing provision related to the cap on vapor products tax collections into the Andy Hill Account, so that amounts over $10 million per year must be directly deposited into the FPHS Account without first being deposited into the Andy Hill Account and then transferred for deposit into the FPHS Account;
- excludes vapor products without nicotine from the vapor products tax; and
- restores the 50 percent and 25 percent tax reductions from the tobacco products tax for products issued a modified risk tobacco product order by the Secretary of the United States Department of Health and Human Services.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 9, 2026.

Effective Date of Substitute Bill: The bill takes effect on July 1, 2027.

Staff Summary of Public Testimony:

(In support) Tobacco addiction is powerful, and tobacco use is the leading cause of preventable death in Washington. Tobacco use creates serious and lasting health impacts, causes death, and whole families to suffer. Tobacco taxes are the most effective tool to help people quit tobacco use and prevent addiction. The $2 per pack cigarette tax increase could save lives and Washington hundreds of millions of dollars in long-term health care costs. Following an increase in Oklahoma, net tax revenues increased despite being surrounded by states with lower taxes. Tax revenues also increased in Washington the last time Washington increased the cigarette tax. The policy enacted during the 2025 Legislative Session to expand the definition of tobacco products negatively impacted the Andy Hill CARE Fund (Fund) by reducing the amount of funding received from the vapor products tax, amounting to a significant disruption that could cause the work of the Fund to cease. The bill takes a practical and responsible approach to addressing the public health impacts of tobacco and vapor products by updating Washington's excise tax structure. It will discourage harmful consumption, particularly among younger users. The tax structure will be more consistent and equitable. The bill restores funding for foundational public health services that was lost due to the Department of Revenue's (DOR) interpretation of recent law changes. However, funding for prevention should go through the Youth Tobacco and Vapor Products Prevention Account, instead of the FPHS Account. Nicotine addiction is a serious problem at schools. Young people begin with flavored vapor products and turn to cigarettes. Washington ranks 42 nationally in prevention funding. The last cigarette tax

increase was 16 years ago. Other states have raised taxes many times and Washington is being left behind. With the tax increase, thousands of adults will quit and kids will never begin smoking. Cardiovascular disease accounts for one in four deaths in Washington, and one in four cardiovascular deaths are caused by smoking.

(Opposed) The bill will negatively affect small retailers and the communities they serve. Washington already has one of the highest tobacco and vapor products tax structures in the nation and the bill would further increase costs of neighborhood stores. Tobacco and vapor sales are critical for smaller stores because they drive foot traffic into stores by customers who then also purchase food and fuel. Consumers may shift to the unregulated market and across state borders. The tax is regressive, hitting low-income consumers hardest. Caution should be taken when considering measures that could reduce state revenues while facing budgetary shortfalls. The dual taxation issue should also be addressed arising out of the DOR's interpretation of the 2025 law. A point-of-sale tax is worth considering as it would deter evasion. Tax incentives for modified risk tobacco products should not be reduced. Preserve access to affordable, lower-risk products approved by the United States Food and Drug Administration. It is an exceptionally high scientific bar to get a modified risk product order, requiring evidence of reduced harm to individuals as well as the population as a whole. Currently, there are only 14 smoke-free products that have met this bar, and they are an essential alternative to combustible cigarettes. Synthetic nicotine pouches and lozenges should be taxed under a weight based tax like snuff. The tax should be proportionate to the risk. In the past Washington raised its tobacco tax, only to lower it. Currently about 50 percent of tobacco in Washington is not taxed. This bill will make Washington one of the highest tax states for cigarettes. Washington's tax would be nine times higher than Idaho and twice that of Oregon. It is unclear how this bill interacts with the recent tobacco products tax change.

(Other) The programs to be funded are worthy programs, but there are concerns with the tax structure. There has been tax evasion with respect to vapor products in recent years. The tax would be better imposed at the point of sale. While the tax increases are supported by some, the tax reductions for modified risk products should be entirely removed. This will prevent youth from starting use and simplify tax enforcement. All tobacco products carry risks. There is no evidence that consumers who use tobacco products with modified risk authorizations quit using tobacco products or fully shift away from smoking. In addition, there is evidence people are confused by what modified risk product orders actually mean.

Persons Testifying: (In support) Representative Lisa Parshley, prime sponsor; Anthony Mixer, Citizen Volunteer Lobbyist; Megan Moore, Washington State Public Health Association; Lyset Cadena, Andy Hill CARE Fund; Suhani Singh; Carrie Nyssen, American Lung Association; Heidi Low, Campaign for Tobacco-Free Kids; Scott Waller, Washington Association for Substance misuse And Violence Prevention (WASAVP); Sarah Hansen, MD, WA-Chapter, American College of Emergency Physicians; Noelle Clardy; Susan Ben-Rubin; Audrey Miller Garcia, American Cancer Society Cancer Action Network; Suhani Singh; and Alex Hamasaki, American Heart Association.

(Opposed) Shaun D'Sylva; Brian Erkkila, PMI; Molly Pfaffenroth, Washington Food Industry Association; Ryan Neufeld, Private Resident; Art Way; Crystal Leatherman, WA Retail Association; Max Martin, Association of Washington Business; Tom Eshleman, Doyles Sheehan; and Yujin Ghim, Washington Korean American Grocers Association.

(Other) Margaret Mahoney; and Sara Stewart, Washington Smoke-Free Assocation.

Persons Signed In To Testify But Not Testifying: None.