



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: H. 4303 Signed by Governor on May 19, 2026
Subject: Cigarettes for Heating
Requestor: House of Representatives
RFA Analyst(s): Jolliff
Impact Date: June 15, 2026

Fiscal Impact Summary

This bill establishes a tax of 21.375 mills (2.1375 cents) per cigarette for heating made of tobacco or any substitute for tobacco (heated tobacco products or HTP), or 42.75 cents per pack of 20. The bill also imposes a tax on all vapor products and electronic cigarettes (e-cigarettes) of 5 cents per milliliter (mL) of consumable nicotine liquid solution or other material containing nicotine that is depleted as a vapor product is used. These products are also referred to as Electronic Nicotine Delivery Systems (ENDS) products. The proceeds from both new taxes must be deposited in the South Carolina Medicaid Reserve Fund. The bill takes effect on October 1, 2025. However, based on discussion with the Department of Revenue (DOR), the tax will be implemented upon enactment of the bill.

DOR indicates that the bill will have no impact on the agency as it can implement the new taxes with existing staff and resources.

Based on discussions with DOR, HTP are not for sale in the state currently, and therefore, no tax revenue is generated on these products at this time. Previously, an HTP product was sold in the state, and it was taxed at the same rate as traditional cigarettes, which is 57 cents per pack of 20 cigarettes. However, data are not available regarding the revenue generated from these previous sales. Further, it is unknown whether HTP will be sold in this state, how much revenue would be generated, and if this bill would impact potential sales activity. If HTP are sold, based on limited information regarding usage, the bill could potentially increase Other Funds revenue of the Medicaid Reserve Fund from the new tax on HTP by approximately \$10,581,000 annually beginning in FY 2026-27 if companies begin selling these products in the state again. Additionally, if current cigarette smokers switch products from traditional cigarettes to HTP, cigarette tax revenue may be reduced in the future due to the lower tax rate on HTP.

As ENDS products are not currently taxed, limited data are available on usage of these products in South Carolina, and this analysis is based on national usage statistics, which may vary from actual consumption in the state. From estimates of the population using ENDS products in the state and the average weekly consumption rate, Revenue and Fiscal Affairs (RFA) estimates that the tax on these products will generate approximately \$14,255,000 in Other Funds revenue of the South Carolina Medicaid Reserve Fund beginning in FY 2026-27.

In total, the bill may increase the Medicaid Reserve Fund by up to \$24,836,000 annually beginning in FY 2026-27. Depending on if and how quickly HTP products become available for sale and how quickly the taxes are implemented, collections in the first year may be lower.

Explanation of Fiscal Impact

Signed by Governor on May 19, 2026

State Expenditure

This bill establishes a tax of 21.375 mills per HTP cigarette, or 42.75 cents per pack of 20 and a tax of 5 cents per mL of consumable nicotine liquid solution for e-cigarettes. DOR indicates that the bill will have no impact on the agency as it can implement the new taxes with existing staff and resources.

State Revenue

This bill establishes a tax of 21.375 mills (2.1375 cents) per HTP cigarette, or 42.75 cents per pack of 20. These cigarettes are also referred to as sticks and are packaged as 20 sticks per pack, similar to traditional cigarettes. The bill also creates a tax of 5 cents per mL of consumable nicotine liquid solution in e-cigarettes. The bill is effective beginning October 1, 2025. However, based on information from DOR, the tax will be implemented upon enactment of the bill.

Heated Tobacco Products

Based on discussions with DOR, HTP are not currently for sale in the state at this time. As such, no tax revenue is generated currently on these products. Previously, an HTP product was sold in the state, and it was taxed at the same rate as traditional cigarettes. However, data regarding the revenue generated from these sales are not available. Traditional cigarettes are taxed at 57 cents per pack of 20 cigarettes. From this tax on traditional cigarettes, 7 cents is distributed to the General Fund, and the surtax of 50 cents is distributed \$5 million to the Medical University of South Carolina Hollings Cancer Center, \$5 million to the Smoking Prevention and Cessation Fund, and the remaining surtax revenue to the Medicaid Reserve Fund. For reference, the current cigarette surtax generated approximately \$99.6 million in FY 2024-25, of which \$12.2 million went to the General Fund and the remaining \$87.4 million was from the surtax. Under this bill the full 42.75 cents per pack will be credited to the Medicaid Reserve Fund.

According to the *Substance Abuse* study, approximately 2.2 percent of the U.S. adult population uses HTP.¹ The U.S. Census Bureau estimates that the adult population in South Carolina totals 4,326,760 people.² Applying the 2.2 percent share to the state's adult population, RFA estimates that approximately 95,200 people use HTP in the state. Average usage of HTP is 11 to 20 heated

¹ Karim, M. A, Talluri, R., Chido-Amajuoyi, O. G., & Shete, S. (2022). Awareness of Heated Tobacco Products Among US Adults – Health Information National Trends Survey, 2020. *Substance Abuse*, 43(1), pp. 1023-1034, Retrieved April 25, 2025, <https://pmc.ncbi.nlm.nih.gov/articles/PMC9782695/pdf/nihms-1850038.pdf>

² Although the federal government requires individuals to be age 21 or older to buy tobacco products legally, the analysis by Substance Abuse included adults without respect to this restriction, and therefore, we have estimated usage based on total adult population age 18 and over.

tobacco sticks per day, or approximately 5 packs per week.³ Based on this information, the estimated 95,200 users of HTP are expected to consume approximately 24,752,000 packs or 495,040,000 heated tobacco sticks per year. At the tax rate of 21.375 mills per HTP stick, or 42.75 cents per pack, imposed by the bill, the revenue from HTP could total up to approximately \$10,581,000 annually beginning in FY 2026-27. However, the impact may vary as limited data are available regarding HTP, and the amount of revenue will depend on whether these products are sold in the state again and how quickly they are available. Additionally, if current cigarette smokers switch products from traditional cigarettes to HTP, cigarette tax revenue may be reduced in the future due to the lower tax rate on HTP.

Electronic Cigarettes and Vapes (ENDS Products)

The bill also imposes a tax on all vapor products and e-cigarettes, or ENDS products, of 5 cents per mL of consumable nicotine liquid solution or other material containing nicotine that is depleted as a vapor product. As these products are not currently taxed, limited data are available on usage of ENDS in South Carolina, and this analysis relies on national usage statistics to estimate the potential impact. According to a 2025 Forbes study based on Centers for Disease Control data, the share of the SC adult population using e-cigarettes daily is approximately 3.9 percent.⁴ The U.S. Census Bureau estimates that the adult population in South Carolina totals 4,326,760 people.⁵ Applying the 3.9 percent share to the state's adult population, we estimate that approximately 168,700 people use e-cigarettes in the state. Further, in a study published in the Tobacco Induced Diseases journal in 2020, the median weekly usage of e-cigarette liquid by adult smokers in the state of Maryland is approximately 32.5 mL.⁶ We assume that consumption in South Carolina will be similar.

Based on the estimates of the population using e-cigarettes in the state and the average weekly consumption rate, we estimate that the total annual consumption of nicotine liquid solution for e-cigarettes in SC is approximately 285,103,000 mL. Therefore, applying the 5 cents per mL tax rate on the total estimated consumption of e-cigarette liquid results in an annual tax amount of approximately \$14,255,000. We estimate that the bill will increase Medicaid Reserve Fund revenue from vapor products and e-cigarettes by approximately \$14,255,000 beginning in FY 2026-27.

Summary

In total, the new taxes will increase Other Funds revenue of the Medicaid Reserve Fund by up to \$24,836,000 annually beginning in FY 2026-27. Depending on if and when HTP products

³ Świątkowska, B., Jankowski, M., & Kaleta, D. (2024). Comparative evaluation of ten blood biomarkers of inflammation in regular heated tobacco users and non-smoking healthy males—a pilot study. *Scientific Reports*, 14(1), 8779, Retrieved April 25, 2025, <https://www.nature.com/articles/s41598-024-59321-y.pdf>

⁴ Kilroy, A., and Smith, K. A. (2025). States With The Most And Least E-Cigarette Use in 2025. *Forbes*. January 2, 2025. <https://www.forbes.com/advisor/life-insurance/vaping-by-state/>

⁵ Although the federal government requires individuals to be age 21 or older to buy tobacco products legally, the analysis by NCHS included adults without respect to this restriction, and therefore, we have estimated usage based on total adult population age 18 and older.

⁶ Aherrera, A., Aravindakshan, A., Olmeda, P., Chen, R., Cohen, J. E., Navas-Acien, A., and Rule., A. M. (2020). E-cigarette use behaviors and device characteristics of daily exclusive e-cigarette users in Maryland: Implications for product toxicity. *Tobacco Induced Diseases*, 18(93). <https://pubmed.ncbi.nlm.nih.gov/33209101/>

become available for sale and how quickly the taxes are implemented, collections in the first year are likely to be lower. Further, as these estimates are based on national usage, revenues may also differ if consumption in the state varies from these averages.

Local Expenditure

N/A

Local Revenue

N/A



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