



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:	S. 0519	Introduced on April 1, 2025
Subject:	Cigarettes for Heating	
Requestor:	Senate Finance	
RFA Analyst(s):	Manic and Jolliff	
Impact Date:	March 25, 2026 – Updated for Additional Information	

Fiscal Impact Summary

This bill establishes a tax of 1.25 mills (0.125 cents) per cigarette for heating made of tobacco or any substitute for tobacco (heated tobacco products or HTP), or 2.5 cents per pack of 20. The bill takes effect on October 1, 2025.

The Department of Revenue (DOR) indicates that the bill will have no impact on the agency as it can implement the new tax 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. Traditional cigarettes are taxed at 57 cents per pack of 20 cigarettes, or twice the tax rate imposed by the bill. However, data are not available regarding the revenue generated from these sales previously. 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 result in General Fund revenue from the new tax on HTP of approximately \$619,000 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.

This impact statement has been updated to provide additional information and clarify the current tax status of HTP products and impact.

Explanation of Fiscal Impact

Updated for Additional Information on March 25, 2026

Introduced on April 1, 2025

State Expenditure

This bill establishes a tax of 1.25 mills per HTP cigarette, or 2.5 cents per pack of 20. DOR indicates that the bill will have no impact on the agency as it can manage the new requirements with existing staff and resources.

State Revenue

This bill establishes a tax of 1.25 mills (0.125 cents) per HTP cigarette, or 2.5 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.

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 \$107 million in FY 2023-24, of which \$13 million went to the General Fund and the remaining \$94 million was from the surtax. Under this bill the full 2.5 cents per pack will be credited to the General Fund.

As HTP are relatively new, data on consumption are limited. However, a recent study published in *Substance Abuse* on awareness of HTP indicates that due to the perceived appeal of HTP (better respiratory satisfaction compared to other Electronic Nicotine Delivery Systems (ENDS), sleek look, and polished appearance of the stores) there is potential for a fast increase in the use of such devices in the U.S.¹ Further, the study indicates that up to 20 percent of current cigarette smokers and approximately 8.5 percent of ENDS users also use HTP. As such, we expect that HTP use will be primarily driven by current cigarette smokers and ENDS users.

According to the *Substance Abuse* study, approximately 2.2 percent of the U.S. adult population uses HTP. 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, Revenue and Fiscal Affairs (RFA) estimates that approximately 95,200 people use HTP in the state. Average usage of HTP is 11 to 20 heated 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 traditional cigarette tax rate of 57 cents per pack on traditional cigarettes, these sales would generate approximately \$14,109,000 annually. With the tax rate of 1.25 mills per HTP stick, or 2.5 cents per pack, imposed by the bill, the revenue from HTP could total up to approximately \$619,000 annually beginning in FY 2026-27. However, the impact may vary as limited data are available

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.

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>

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.

Please note, if current smokers turn to the HTP alternative in the future, net cigarette tax revenue will eventually decrease because of the tax rate differential between regular cigarettes and HTP if the tax rates are different. Since it is difficult to determine the changes in consumer preferences for cigarettes and HTP, it is difficult to estimate the extent to which cigarette tax revenue will decrease if more smokers switch to HTP, but it is a consideration.

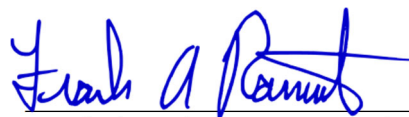
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Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director