

## **TOBACCO TAXES**

### **Stamp Tax**

- 32 V.S.A. § 7771 – Rate of tax
  - Tax is imposed on cigarettes, little cigars, and roll-your-own tobacco held by someone for sale, unless they are in the possession of a licensed wholesale dealer, in transit and consigned to a retail dealer or a licensed wholesale dealer, or in the possession of a retail dealer who has had them for less than 24 hours.
  - Tax is 154 mills per cigarette or little cigar (\$0.154 per cigarette or little cigar, \$3.08 per pack of 20, \$3.85 per pack of 25) and for each 0.0325 ounces of roll-your-own tobacco (approximately \$4.74 per ounce; 0.0325 ounces is approximate amount of tobacco in one cigarette).
  - 154 mills tax effective July 1, 2015.
- 32 V.S.A. § 7772 – Form and sale of stamps
  - 2.3% discount available if purchased by licensed wholesale dealers.
  - 1.5% discount available if timely paid by purchasers of licensed wholesale dealers.

### **Tobacco Products Tax**

- 32 V.S.A. § 7811 – Imposition of tobacco products tax
  - Imposed on all other tobacco products, snuff, and new smokeless tobacco possessed in Vermont for sale.
  - Intended to be imposed only once on wholesale sale.
  - Rate is 92% of the wholesale price for all tobacco products, except snuff, new smokeless tobacco, and cigars.
  - Snuff is taxed at \$2.57 per ounce, or fractional part thereof.
  - New smokeless tobacco is taxed at the greater of: \$2.57 per ounce, or if packaged in quantities of less than 1.2 ounces, at \$3.08 per package.

- Cigars with a wholesale price of \$2.17 or less: 92% of the wholesale price.
- Cigars with a wholesale price greater than \$2.17 but less than \$10.00: a tax of \$2.00 per cigar.
- Cigars with a wholesale price of \$10.00 or greater: a tax of \$4.00.
- If distributor or dealer pays tax within 10 days, tax may be reduced by 2%.
- Snuff and new smokeless tobacco tax was increased on July 1, 2015.
- 32 V.S.A. § 7812 – Liability for collection of tax
  - Licensed wholesale dealer is liable for payment when he or she imports, or causes to be imported, products, or when product is manufactured in Vermont.
  - Retail dealer is liable for the tax if it has not been paid on products in possession.

### **Floor stock tax**

- 32 V.S.A. § 7814 – Floor stock tax
  - Was imposed on snuff when retail dealer was in possession or control, at 12:01 a.m. on July 1, 2015, of \$500.00 or more in wholesale value of snuff. Tax due was difference between new tax and tax already paid. If paid on time, retail dealer could deduct 2% of the tax.
  - Was imposed on cigarettes, little cigars, or roll-your-own tobacco. Was in addition to stamp tax. Was due by wholesaler or retailer who at 12:01 a.m. on July 1, 2015 had more than 10,000 cigarettes or little cigars or who had \$500.00 or more of wholesale value of roll-your-own tobacco for retail sale in his or her possession or control. Tax due was difference between new tax and tax already paid. If paid on time, the wholesaler or retail dealer could deduct two and three-tenths of one percent of the tax.
  - Was imposed on Vermont cigarette stamp in the possession or control of the wholesaler at 12:01 a.m. on July 1, 2015 and not yet affixed to a cigarette package, at a rate of \$0.33 per stamp. If paid on time, the

wholesaler or retail dealer could deduct two and three-tenths of one percent of the tax.

### **Sales tax**

- 32 V.S.A. § 9771 – Imposition of sales tax
  - Tobacco products are also subject to the 6% sales tax.

### **Definitions**

- 32 V.S.A. § 7702 – Definitions
  - Cigarette – “[M]eans:
    - (A) any roll of tobacco wrapped in paper or any substance not containing tobacco; and
    - (B) any roll of tobacco wrapped in substance containing tobacco which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette described in subdivision (A) of this subsection.”
  - Little cigars – “[M]eans any rolls of tobacco wrapped in leaf tobacco or any substance containing tobacco (other than any roll of tobacco which is a cigarette within the meaning of subdivision (1) of this section) and as to which 1,000 units weigh not more than four and one-half pounds.”
  - Roll-your-own tobacco – “[M]eans any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes.”
  - Snuff – “[M]eans any finely cut, ground, or powdered tobacco that is not intended to be smoked, has a moisture content of no less than 45 percent, and is not offered in individual single-dose tablets or other discrete single-use units.”

- Other tobacco products – “[M]eans any product manufactured from, derived from, or containing tobacco that is intended for human consumption by smoking, chewing, or in any other manner; but shall not include cigarettes, little cigars, roll-your-own tobacco, snuff, or new smokeless tobacco as defined in this section.”
    - H. 47 seeks to amend this definition, so that it would read:
 

“Other tobacco products” means any product manufactured from, derived from, or containing tobacco that is intended for human consumption by smoking, chewing, or in any other manner, including products sold as a tobacco substitute, as defined in 7 V.S.A. § 1001(8), and including any liquids, whether nicotine based or not, or delivery devices sold separately for use with a tobacco substitute; but shall not include cigarettes, little cigars, roll-your-own tobacco, snuff, or new smokeless tobacco as defined in this section.”
  - New smokeless tobacco – “[M]eans any tobacco product manufactured from, derived from, or containing tobacco that is not intended to be smoked, has a moisture content of less than 45 percent, or is offered in individual single-dose tablets or other discrete single-use units.”
  - Cigar – “[M]eans any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco (other than any roll of tobacco which is a cigarette within the meaning of subdivision (1) of this section or is a little cigar within the meaning of subdivision (6) of this section.”
- 7 V.S.A. § 1001 – Definitions
    - Tobacco products – “[M]eans cigarettes, little cigars, roll-your-own tobacco, snuff, cigars, new smokeless tobacco, and other tobacco products as defined in 32 V.S.A. § 7702.”
    - Tobacco paraphernalia – “[M]eans any device used, intended for use, or designed for use in smoking, inhaling, ingesting, or otherwise introducing

tobacco products into the human body, or for preparing tobacco for smoking, inhaling, ingesting, or otherwise introducing into the human body, including devices for holding tobacco, rolling paper, wraps, cigarette rolling machines, pipes, water pipes, carburetion devices, bongs, and hookahs.”

- Tobacco substitute – “[M]eans products, including electronic cigarettes or other electronic or battery-powered devices, that contain and are designed to deliver nicotine or other substances into the body through the inhalation of vapor and that have not been approved by the U.S. Food and Drug Administration for tobacco cessation or other medical purposes. Products that have been approved by the U.S. Food and Drug Administration for tobacco cessation or other medical purposes shall not be considered to be tobacco substitutes.”