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S.198

An act relating to the regulation of tobacco products and tobacco substitutes  
It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 7 V.S.A. chapter 40 is amended to read:

CHAPTER 40. TOBACCO PRODUCTS

§ 1001. DEFINITIONS

As used in this chapter:

\* \* \*

(5) “Tobacco license” means a license issued by the Division of Liquor Control under this chapter permitting the licensee to engage in the importation, distribution, wholesale sale, or retail sale, or a combination of these, of tobacco products, tobacco substitutes, substances containing nicotine or otherwise intended for use with a tobacco substitute, or tobacco paraphernalia.

\* \* \*

(8)(A) “Tobacco substitute” means ~~products, including any product that~~ meets all of the following conditions:

(i) The product is manufactured from, is derived from, or contains tobacco or nicotine, whether natural or synthetic, including nicotine alkaloids and nicotine analogs.

(ii) The product is intended for human consumption by smoking, chewing, inhaling, sucking, absorbing, or consuming in any other manner.

1                    (iii) The product is not a tobacco product, as defined in this  
2                    section.

3                    (B) The term “tobacco substitute” includes electronic cigarettes or  
4                    and other electronic or battery-powered devices; that contain or are designed to  
5                    deliver nicotine or other substances into the body through the inhalation of  
6                    vapor and that have not been approved by the U.S. Food and Drug  
7                    Administration for tobacco cessation or other medical purposes. The term also  
8                    includes nicotine pouches and any liquids, whether nicotine based or not, and  
9                    delivery devices sold separately for use with a tobacco substitute.

10                   (C) Cannabis products as defined in section 831 of this title or  
11                   products that have been approved by the U.S. Food and Drug Administration  
12                   for tobacco cessation or other medical purposes shall not be considered to be  
13                   tobacco substitutes.

14                   (9) “Licensed wholesale dealer” means a wholesale dealer licensed  
15                   under the provisions of this chapter.

16                   (10) “Wholesale dealer” means a person who imports or causes to be  
17                   imported into the State any cigarettes, little cigars, roll-your-own tobacco,  
18                   snuff, new smokeless tobacco, or other tobacco product for sale or who sells or  
19                   furnishes any of these products to other wholesale dealers or retail dealers for  
20                   the purpose of resale, but not by small quantity or parcel to consumers of these  
21                   products.

1           (11) “Wholesale dealer’s license” means the license granted under the  
2           provisions of this chapter to a wholesale dealer for a wholesale outlet.

3           (12) “Wholesale outlet” means any premises where cigarettes, little  
4           cigars, roll-your-own tobacco, snuff, new smokeless tobacco, or other tobacco  
5           products are sold, transferred, displayed, or held for sale by a wholesale dealer.

6           (13) “Wholesale price” means the price at which a licensed wholesale  
7           dealer sells or furnishes cigarettes, little cigars, roll-your-own tobacco, snuff,  
8           new smokeless tobacco, or other tobacco products to any retail dealer.

9           § 1002. LICENSE REQUIRED FOR RETAIL SALE; APPLICATION;

10           FEE; ISSUANCE

11           (a)(1) Except as provided in subsection (h) of this section, no person shall  
12           engage in the retail sale of tobacco products, tobacco substitutes, or tobacco  
13           paraphernalia in the person’s place of business without a tobacco license  
14           obtained from the Division of Liquor Control.

15           (2) No person shall engage in the retail sale of tobacco substitutes  
16           without also obtaining a tobacco substitute endorsement from the Division of  
17           Liquor Control.

18           (3) Tobacco licenses and tobacco substitute endorsements shall expire at  
19           midnight, April 30, of each year.

20           (b)(1) The Board shall prepare and issue tobacco license and tobacco  
21           substitute endorsement forms and applications. ~~These shall be incorporated~~

1 ~~into the liquor license forms and applications prepared and issued under this~~  
2 ~~title.~~

3 (2) The licenses issued under this section shall be entitled “LIQUOR  
4 LICENSE;” ~~“LIQUOR TOBACCO LICENSE;”~~ or “TOBACCO LICENSE,”  
5 as applicable. The endorsements issued under this section shall be entitled  
6 “TOBACCO SUBSTITUTE ENDORSEMENT.”

7 (3) The Board shall also provide simple instructions for licensees,  
8 designed to assist them in complying with the provisions of this chapter.

9 (c) Each tobacco license and tobacco substitute endorsement shall be  
10 prominently displayed on the premises identified in the license.

11 (d)(1) For a license or endorsement required under this section, a person  
12 shall apply to the legislative body of the municipality and shall pay the  
13 following fees:

14 (A) to the Division of Liquor Control, the applicable liquor license  
15 fee provided in section 204 of this title for a liquor license and a tobacco  
16 license;

17 (B) to the legislative body of the municipality, a fee of ~~\$110.00~~  
18 \$150.00 for a tobacco license or renewal; and

19 (C) to the legislative body of the municipality, a fee of ~~\$50.00~~ \$75.00  
20 for a tobacco substitute endorsement as provided in subdivision (a)(2) of this  
21 section.

1           (2) The municipal clerk shall forward the application to the Division,  
2           and the Division shall issue the tobacco license and the tobacco substitute  
3           endorsement, as applicable, and shall forward all fees to the Commissioner for  
4           deposit in the Liquor Control Enterprise Fund.

5           (e) A person who sells tobacco products, tobacco substitutes, or tobacco  
6           paraphernalia without obtaining a tobacco license and a tobacco substitute  
7           endorsement, as applicable, in violation of this section shall be ~~guilty of a~~  
8           ~~misdemeanor and fined~~ subject to a civil penalty of not more than ~~\$200.00~~  
9           \$2,000.00 for the first offense and not more than ~~\$500.00~~ \$5,000.00 for each  
10          subsequent offense.

11          (f) No individual under 16 years of age may sell tobacco products, tobacco  
12          substitutes, or tobacco paraphernalia.

13          (g) No person shall engage in the importation, distribution, wholesale sale,  
14          or retail sale, or a combination of these, of tobacco products, tobacco  
15          substitutes, substances containing nicotine or otherwise intended for use with a  
16          tobacco substitute, or tobacco paraphernalia in the State unless the person is a  
17          licensed wholesale dealer ~~as defined in 32 V.S.A. § 7702~~ or has purchased the  
18          tobacco products, tobacco substitutes, substances containing nicotine or  
19          otherwise intended for use with a tobacco substitute, or tobacco paraphernalia  
20          from a licensed wholesale dealer.



1 chapter. Each license issued pursuant to this section shall be prominently  
2 displayed on the premises covered by the license.

3 (c) Penalties for sales without license. Any licensed wholesale dealer who  
4 sells, offers for sale, or possesses with intent to sell tobacco products or  
5 tobacco substitutes without having first obtained a license as provided in this  
6 section shall be subject to a civil penalty of not more than \$2,000.00 for the  
7 first offense and not more than \$5,000.00 for each subsequent offense.

8 (d) Term of license. Each license issued under the provisions of this  
9 section shall be valid as long as the licensee continues to do business at the  
10 place named unless revoked or suspended by the Division as provided in  
11 subsection (e) of this section. If the business with respect to which the license  
12 was issued is sold or transferred or if the licensee ceases to do business at the  
13 place named, the license shall immediately be returned to the Division for  
14 cancellation.

15 (e) Revocation or suspension of license. The Division may revoke or  
16 suspend the license of any licensed wholesale dealer for failure to comply with  
17 any provision of this chapter, 11 V.S.A. chapter 15, 32 V.S.A. chapter 205, or  
18 33 V.S.A. chapter 19, subchapter 1B.

19 \* \* \*

1       § 1005. PERSONS UNDER 21 YEARS OF AGE; ~~POSSESSION OF~~  
2                   ~~TOBACCO PRODUCTS; MISREPRESENTING AGE OR~~  
3                   ~~PURCHASING TO PURCHASE TOBACCO PRODUCTS;~~  
4                   PENALTY

5           ~~(a)(1) A person under 21 years of age shall not possess, purchase, or~~  
6           ~~attempt to purchase tobacco products, tobacco substitutes, or tobacco~~  
7           ~~paraphernalia unless:~~

8                   ~~(A) the person is an employee of a holder of a tobacco license and is~~  
9           ~~in possession of tobacco products, tobacco substitutes, or tobacco~~  
10           ~~paraphernalia to effect a sale in the course of employment; or~~

11                   ~~(B) the person is in possession of tobacco products or tobacco~~  
12           ~~paraphernalia in connection with Indigenous cultural tobacco practices.~~

13           ~~(2) A person under 21 years of age shall not misrepresent his or her age~~  
14           ~~to purchase or attempt to purchase tobacco products, tobacco substitutes, or~~  
15           ~~tobacco paraphernalia.~~

16           ~~(b) A person who possesses tobacco products, tobacco substitutes, or~~  
17           ~~tobacco paraphernalia in violation of subsection (a) of this section shall be~~  
18           ~~subject to having the tobacco products, tobacco substitutes, or tobacco~~  
19           ~~paraphernalia immediately confiscated and shall be further subject to a civil~~  
20           ~~penalty of \$25.00. An action under this subsection shall be brought in the same~~  
21           ~~manner as a traffic violation pursuant to 23 V.S.A. chapter 24.~~



1 between 17 and 20 years of age. An individual under 21 years of age  
2 participating in a compliance test shall not be in violation of section 1005 of  
3 this title.

4 (2) Any violation by a tobacco licensee of subsection 1003(a) of this  
5 title ~~and~~ or this section after a sale violation or during a compliance test  
6 conducted within six months ~~of~~ after a previous violation shall be considered a  
7 multiple violation and shall result in the following civil penalties and minimum  
8 license ~~suspension~~ suspensions or license revocation, in addition to any other  
9 penalties available under this title. ~~Minimum license suspensions for multiple~~  
10 ~~violations shall be assessed as follows:~~

11 (A) ~~two violations~~ second violation: suspension for two consecutive  
12 weekdays and \$1,000.00 civil penalty;

13 (B) ~~three violations 15-day~~ third violation: suspension for 15  
14 consecutive days and \$2,000.00 civil penalty;

15 (C) ~~four violations 90-day~~ fourth violation: suspension for 90  
16 consecutive days and \$3,500.00 civil penalty; and

17 (D) ~~five violations one-year suspension~~ fifth violation: revocation of  
18 license and \$5,000.00 civil penalty.

19 \* \* \*

1 § 1009. CONTRABAND AND SEIZURE

2 (a) Any cigarettes or other tobacco products or tobacco substitutes that  
3 have been sold, offered for sale, or possessed for sale in violation of section  
4 1003, 1010, or 1013 of this title, 20 V.S.A. § 2757, 32 V.S.A. § 7786, or 33  
5 V.S.A. § 1919, and any commercial cigarette rolling machines possessed or  
6 utilized in violation of section 1011 of this title, shall be deemed contraband  
7 and shall be subject to seizure by the Commissioner, the Commissioner's  
8 agents or employees, the Commissioner of Taxes, or any agent or employee of  
9 the Commissioner of Taxes, or by any law enforcement officer of this State  
10 when directed to do so by ~~the~~ either Commissioner or by the Department of  
11 Liquor and Lottery. All ~~cigarettes or other tobacco products~~ items seized  
12 under this subsection shall be destroyed at the expense of the violator, and  
13 disposition shall be in compliance with the Agency of Natural Resources,  
14 Hazardous Waste Management Regulations (CVR 12-032-001).

15 (b)(1) Any person in possession of property considered contraband under  
16 this section shall be fined not more than \$1,000.00 nor less than \$500.00 per  
17 item.

18 (2) Any vehicle, aircraft or watercraft, or other conveyance in which  
19 property considered contraband under this section is found may be seized and  
20 subject to forfeiture and condemnation pursuant to sections 570 and 572–574  
21 of this title.

1 § 1010. INTERNET SALES

2 \* \* \*

3 (b) No person shall cause cigarettes, roll-your-own tobacco, little cigars,  
4 snuff, tobacco substitutes, substances containing nicotine or otherwise intended  
5 for use with a tobacco substitute, or tobacco paraphernalia, ordered or  
6 purchased by mail or through a computer network, telephonic network, or  
7 other electronic network, to be shipped to anyone other than a licensed  
8 wholesale dealer ~~or retail dealer~~ in this State.

9 (c) No person shall, with knowledge or reason to know of the violation,  
10 provide substantial assistance to a person in violation of this section.

11 (d) A violation of this section is punishable as follows:

12 (1) A knowing or intentional violation of this section shall be punishable  
13 by imprisonment for not more than five years or a fine of not more than  
14 \$5,000.00, or both.

15 (2) In addition to or in lieu of any other civil or criminal remedy  
16 provided by law, upon a determination that a person has violated this section,  
17 the Attorney General may impose a civil penalty in an amount not to exceed  
18 \$5,000.00 for each violation. For purposes of this subsection, each shipment  
19 or transport of cigarettes, roll-your-own tobacco, little cigars, ~~or snuff,~~ tobacco  
20 substitutes, substances containing nicotine or otherwise intended for use with a

1 tobacco substitute, or tobacco paraphernalia shall constitute a separate  
2 violation.

3 \* \* \*

4 § 1013. DECEPTIVE TOBACCO PRODUCTS AND TOBACCO

5 SUBSTITUTES PROHIBITED

6 No person shall market, promote, label, brand, advertise, distribute, offer  
7 for sale, or sell a tobacco product or tobacco substitute by:

8 (1) imitating a product that is not a tobacco product or tobacco  
9 substitute, including:

10 (A) a food or brand of food commonly marketed to minors, including  
11 candy, desserts, cereal, and beverages;

12 (B) school supplies commonly used by minors, including erasers,  
13 highlighters, pens, and pencils;

14 (C) portable devices, including smartphones, smartwatches, video  
15 games or video game consoles, and inhalers; and

16 (D) a product based on or depicting a character, personality, or  
17 symbol known to appeal to minors, including a celebrity; a character in a  
18 comic book, movie, television show, or video game; or a mythical creature;

19 (2) concealing the nature of the tobacco product or tobacco substitute; or

20 (3) using terms for, describing, or depicting a product described in  
21 subdivision (1) of this section.

1 Sec. 1a. 4 V.S.A. § 1102(b) is amended to read:

2 (b) The Judicial Bureau shall have jurisdiction of the following matters:

3 \* \* \*

4 (4) Violations of 7 V.S.A. § 1005, relating to ~~possession and~~  
5 ~~procurement of tobacco products~~ misrepresentation of age by a person under  
6 21 years of age to purchase tobacco products.

7 \* \* \*

8 Sec. 2. [Deleted.]

9 Sec. 3. [Deleted.]

10 Sec. 4. 32 V.S.A. § 3102 is amended to read:

11 § 3102. CONFIDENTIALITY OF TAX RECORDS

12 \* \* \*

13 (e) The Commissioner may, in the Commissioner's discretion and subject  
14 to such conditions and requirements as the Commissioner may provide,  
15 including any confidentiality requirements of the Internal Revenue Service,  
16 disclose a return or return information:

17 \* \* \*

18 (25) To the Department of Liquor and Lottery, if such return or  
19 information is for purposes of investigating potential violations of and  
20 enforcing 7 V.S.A. chapter 40.

21 \* \* \*

1 Sec. 5. 32 V.S.A. § 7702 is amended to read:

2 § 7702. DEFINITIONS

3 As used in this chapter unless the context otherwise requires:

4 (1) “Cigarette” means any product that contains nicotine, is intended to  
5 be burned or heated under ordinary conditions of use, and consists of or  
6 contains:

7 (A) any roll of tobacco wrapped in paper or in any substance not  
8 containing tobacco; ~~and~~

9 (B) tobacco, in any form, that is functional in the product, which,  
10 because of its appearance, the type of tobacco used in the filler, or its  
11 packaging and labeling, is likely to be offered to, or purchased by, consumers  
12 as a cigarette; or

13 (C) any roll of tobacco wrapped in substance containing tobacco that,  
14 because of its appearance, the type of tobacco used in the filler, or its  
15 packaging and labeling, is likely to be offered to, or purchased by, consumers  
16 as a cigarette described in subdivision (A) of this subdivision (1).

17 \* \* \*

18 (5) “Licensed wholesale dealer” ~~shall mean~~ means a wholesale dealer  
19 licensed under the provisions of ~~this chapter~~ 7 V.S.A. § 1002b.

20 \* \* \*



1 Sec. 6. 32 V.S.A. § 7776 is amended to read:

2 § 7776. COLLECTION OF CIGARETTE TAX THROUGH

3 NONRESIDENT LICENSED WHOLESALE DEALERS

4 \* \* \*

5 (d) Any person complying with the provisions of this section shall  
6 thereupon become a licensed wholesale dealer within the meaning of 7 V.S.A.  
7 chapter 40 and this chapter and shall be subject to all provisions of ~~the chapter~~  
8 both chapters applicable to wholesale dealers, including the furnishing of a  
9 bond specified in ~~subchapter 2~~ section 7703 of this chapter.

10 Sec. 7. 32 V.S.A. § 7821 is amended to read:

11 § 7821. CRIMINAL PENALTIES

12 Any person who shall fail, neglect, or refuse to comply with or shall violate  
13 the provisions of this chapter relating to the tax on tobacco products or the  
14 rules adopted by the Commissioner under this chapter relating to such tax shall  
15 be guilty of a misdemeanor and upon conviction for a first offense shall be  
16 sentenced to pay a fine of not more than \$250.00 or to be imprisoned for not  
17 more than 60 days, or both, such fine and imprisonment in the discretion of the  
18 court, and for a second or subsequent offense shall be sentenced to pay a fine  
19 of not less than \$250.00 nor more than \$500.00 or be imprisoned for not more  
20 than six months, or both, such fine and imprisonment in the discretion of the

1 court. This section shall not apply to violations of ~~sections 7731–7734~~ and  
2 section 7776 of this title.

3 Sec. 8. REDESIGNATION

4 32 V.S.A. § 7737 (licensed wholesale dealers; bonding) is redesignated as  
5 32 V.S.A. § 7703.

6 Sec. 9. REPEALS

7 32 V.S.A. §§ 7731–7736 (licensure of wholesale dealers) are repealed.

8 Sec. 10. [Deleted.]

9 Sec. 11. TAXATION OF TOBACCO SUBSTITUTES; TAX STAMPS;

10 REPORT

11 (a) The Department of Taxes, in collaboration with the Department of  
12 Liquor and Lottery and the Office of the Attorney General and in consultation  
13 with wholesale dealers and other interested stakeholders, shall:

14 (1) identify efficient and effective processes by which to impose taxes  
15 on tobacco substitutes, as defined in 7 V.S.A. § 1001, based on the  
16 concentration of nicotine they contain; and

17 (2) evaluate the continued use of tax stamps as evidence of payment of  
18 the excise tax on cigarettes, little cigars, and roll-your-own tobacco in this  
19 State and consider the advantages and disadvantages of alternative approaches  
20 of certifying tax compliance.

1       (b) On or before January 15, 2027, the Department of Taxes shall provide  
2       its findings and recommendations for taxing tobacco substitutes based on  
3       nicotine concentration and regarding the continued use of tax stamps, including  
4       proposed next steps and legislative needs, to the House Committees on Human  
5       Services and on Ways and Means and the Senate Committees on Economic  
6       Development, Housing and General Affairs; on Finance; and on Health and  
7       Welfare.

8       Sec. 12. EFFECTIVE DATES

9       This act shall take effect on July 1, 2026, except that:

10       (1) in Sec. 1 (7 V.S.A. chapter 40), § 1002b (wholesale dealers; license  
11       required) shall take effect on July 1, 2027;

12       (2) in Sec. 5 (32 V.S.A. § 7702), the amendments to subdivisions (5)  
13       (definition of “licensed wholesale dealer”) and (17) (definition of “wholesale  
14       dealer’s license”) shall take effect on July 1, 2027; and

15       (3) Secs. 6 (32 V.S.A. § 7776), 7 (32 V.S.A. § 7821), 8 (redesignation),  
16       and 9 (repeals) shall take effect on July 1, 2027.