

1

S.198

2 An act relating to the regulation of tobacco products and tobacco substitutes

3 The House proposes to the Senate to amend the bill by striking out all after

4 the enacting clause and inserting in lieu thereof the following:

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

6 CHAPTER 40. TOBACCO PRODUCTS

7 § 1001. DEFINITIONS

8 As used in this chapter:

9

* * *

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

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

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

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

19 (B) The term “tobacco substitute” includes electronic cigarettes or
20 and other electronic or battery-powered devices, that contain or are designed to
21 deliver nicotine or other substances into the body through the inhalation of

1 vapor and that have not been approved by the U.S. Food and Drug
2 Administration for tobacco cessation or other medical purposes. The term also
3 includes nicotine pouches and any liquids, whether nicotine based or not, and
4 delivery devices sold separately for use with a tobacco substitute.

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

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

11 (10) “Wholesale dealer” means a person who imports or causes to be
12 imported into the State any tobacco products or tobacco substitutes for sale or
13 who sells or furnishes any of these products to other wholesale dealers or retail
14 dealers for the purpose of resale, but not by small quantity or parcel to
15 consumers of these products.

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

18 (12) “Wholesale outlet” means any premises where tobacco products or
19 tobacco substitutes are sold, transferred, displayed, or held for sale by a
20 wholesale dealer.

1 (13) “Wholesale price” means the price at which a licensed wholesale
2 dealer sells or furnishes tobacco products or tobacco substitutes to any retail
3 dealer.

4 § 1002. LICENSE REQUIRED FOR RETAIL SALE; APPLICATION;
5 FEE; ISSUANCE

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

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

13 (3) Tobacco licenses and tobacco substitute endorsements shall ~~expire at~~
14 ~~midnight, April 30, of each year~~ be valid for one year from the date of issue.

15 (b)(1) The Board shall prepare and issue tobacco license and tobacco
16 substitute endorsement forms and applications. ~~These shall be incorporated~~
17 ~~into the liquor license forms and applications prepared and issued under this~~
18 ~~title.~~

19 (2) The licenses issued under this section shall be entitled “~~LIQUOR~~
20 ~~LICENSE,” “LIQUOR TOBACCO LICENSE,” or “TOBACCO LICENSE,”~~

1 as applicable. ~~The~~ and the endorsements issued under this section shall be
2 entitled “TOBACCO SUBSTITUTE ENDORSEMENT.”

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

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

7 (d)(1) For a license or endorsement required under this section, a person
8 shall apply to the legislative body of the municipality using the application
9 provided by the Board in accordance with subdivision (b)(1) of this section and
10 shall pay the following fees:

11 ~~(A) to the Division of Liquor Control, the applicable liquor license~~
12 ~~fee provided in section 204 of this title for a liquor license and a tobacco~~
13 ~~license;~~

14 ~~(B) to the legislative body of the municipality, a fee of \$110.00;~~

15 (A) \$150.00 for a tobacco license or renewal; and

16 ~~(C) to the legislative body of the municipality, a fee of \$50.00~~

17 (B) \$75.00 for a tobacco substitute endorsement as provided in
18 subdivision (a)(2) of this section.

19 (2) The municipal clerk shall forward the application to the Division,
20 and, if the municipality’s local control commissioners have approved the
21 application for a tobacco license and, if applicable, a tobacco substitute

1 endorsement, the Division shall issue the tobacco license and the tobacco
2 substitute endorsement, as applicable, ~~and shall forward all fees to the~~
3 ~~Commissioner for deposit.~~ Fees collected pursuant to this subsection shall be
4 deposited 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 (h) This section shall not apply to a cannabis establishment licensed
2 pursuant to chapter 33 of this title to engage in the retail sale of cannabis
3 products as defined in section 831 of this title but not engaged in the sale of
4 tobacco products or tobacco substitutes.

5 * * *

6 § 1002b. WHOLESALE DEALERS; LICENSE REQUIRED

7 (a) License required. Each wholesale dealer shall secure a license from the
8 Division of Liquor Control before engaging in the business of selling tobacco
9 products or tobacco substitutes in this State. Licensed wholesale dealers shall
10 sell these products only to other Vermont licensed wholesale dealers or to
11 retailers licensed pursuant to section 1002 of this chapter.

12 (b) Application for and issuance of license.

13 (1) A separate application and license shall be required for each
14 wholesale outlet when a wholesale dealer owns or controls more than one such
15 outlet. The license fee shall be \$1,245.00 annually for each outlet.

16 (2) A wholesale license may be issued by the Division upon application
17 on forms prescribed by the Division, stating the name and address of the
18 applicant, the address of the place of business at which the applicant proposes
19 to engage in the wholesale business, the type of business, and such other
20 information as the Division may require for the proper administration of this

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 wholesale dealer who sells,
4 offers for sale, or possesses with intent to sell tobacco products or tobacco
5 substitutes without having first obtained a license as provided in this section
6 shall be subject to a civil penalty of not more than \$2,000.00 for the first
7 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 for one year from the date of issue. If the business with
10 respect to which the license was issued is sold or transferred or if the licensee
11 ceases to do business at the place named, the license shall immediately be
12 returned to the Division for cancellation.

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

17 * * *

18 § 1005. ~~PERSONS~~ INDIVIDUALS UNDER 21 YEARS OF AGE;

19 POSSESSION OR PURCHASE OF TOBACCO PRODUCTS

20 PROHIBITED; PENALTY FOR MISREPRESENTING AGE ~~OR~~

21 PURCHASING TOBACCO PRODUCTS; PENALTY

1 (a)(1) ~~A person~~ An individual under 21 years of age shall not possess,
2 purchase, or attempt to purchase tobacco products, tobacco substitutes, or
3 tobacco paraphernalia unless:

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

7 (B) the ~~person~~ individual is in possession of tobacco products or
8 tobacco paraphernalia in connection with Indigenous cultural tobacco
9 practices.

10 (2) ~~A person~~ An individual under 21 years of age shall not misrepresent
11 ~~his or her~~ the individual's age to purchase or attempt to purchase tobacco
12 products, tobacco substitutes, or tobacco paraphernalia.

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

19 (c) ~~A person~~ An individual under 21 years of age who misrepresents the
20 ~~person's~~ individual's age by presenting false identification to purchase tobacco
21 products, tobacco substitutes, or tobacco paraphernalia shall be ~~subject to a~~

1 ~~civil penalty of not more than \$50.00 or provide~~ offered the choice of
2 providing up to 10 hours of community service; or both participating in a
3 nationally recognized youth tobacco cessation program to be determined by the
4 Department of Health. An action under this section shall be brought in the
5 same manner as a traffic violation pursuant to 23 V.S.A. chapter 24.

6 * * *

7 § 1007. FURNISHING TOBACCO TO ~~PERSONS~~ INDIVIDUALS UNDER
8 21 YEARS OF AGE; PENALTIES; REPORT

9 (a)(1) ~~A person that~~ An individual who sells or furnishes tobacco products,
10 tobacco substitutes, or tobacco paraphernalia to ~~a person~~ an individual under
11 21 years of age shall be subject to a civil penalty of not more than ~~\$100.00~~
12 \$150.00 for the first offense and not more than \$500.00 for any subsequent
13 offense. An action under this section shall be brought in the same manner as
14 for a traffic violation pursuant to 23 V.S.A. chapter 24 and shall be brought
15 within 24 hours ~~of~~ following the occurrence of the alleged violation.

16 (2) In addition to the civil penalty imposed against an individual for a
17 violation pursuant to subdivision (1) of this subsection, for any subsequent
18 violation, the licensee may be subject to an administrative penalty and license
19 suspension or revocation as set forth in subdivision (b)(2) of this section.

20 (b)(1) The Division of Liquor Control shall conduct or contract for
21 compliance tests of tobacco licensees as frequently and as comprehensively as

1 necessary to ensure consistent statewide compliance with the prohibition on
2 sales to ~~persons~~ individuals under 21 years of age of at least 90 percent for
3 buyers who are between 17 and 20 years of age. An individual under 21 years
4 of age participating in a compliance test shall not be in violation of section
5 1005 of this title.

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

13 (A) ~~two violations~~ second violation: suspension for two consecutive
14 weekdays and an administrative penalty of not less than \$1,000.00;

15 (B) ~~three violations 15-day~~ third violation: suspension for 15
16 consecutive days and an administrative penalty of not less than \$2,000.00;

17 (C) ~~four violations 90-day~~ fourth violation: suspension for 90
18 consecutive days and an administrative penalty of not less than \$3,500.00; and

19 (D) ~~five violations one-year suspension~~ fifth violation: revocation of
20 license and an administrative penalty of not less than \$5,000.00.

21

* * *

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
5 33 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)(1) ~~No~~ Except as provided in subdivision (2) of this subsection, no
4 person shall cause cigarettes, roll-your-own tobacco, little cigars, snuff,
5 tobacco substitutes, substances containing nicotine or otherwise intended for
6 use with a tobacco substitute, or tobacco paraphernalia, ordered or purchased
7 by mail or through a computer network, telephonic network, or other electronic
8 network, to be shipped to anyone other than a licensed wholesale dealer ~~or~~
9 ~~retail dealer~~ in this State.

10 (2) The prohibition set forth in subdivision (1) of this subsection shall
11 not apply to a licensed wholesale dealer shipping directly to a licensed retail
12 dealer in this State.

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

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

16 (1) A knowing or intentional violation of this section shall be punishable
17 by imprisonment for not more than five years or a fine of not more than
18 \$5,000.00, or both.

19 (2) In addition to or in lieu of any other civil or criminal remedy
20 provided by law, upon a determination that a person has violated this section,
21 the Attorney General may impose a civil penalty in an amount not to exceed

1 \$5,000.00 for each violation. For purposes of this subsection, each shipment
2 or transport of cigarettes, roll-your-own tobacco, little cigars, ~~or snuff~~, tobacco
3 substitutes, substances containing nicotine or otherwise intended for use with a
4 tobacco substitute, or tobacco paraphernalia shall constitute a separate
5 violation.

6 (e)(1) On or before January 15 of each year, the Department of Liquor and
7 Lottery and the Office of the Attorney General shall each report to the House
8 Committees on Commerce and Economic Development and on Human
9 Services and the Senate Committees on Economic Development, Housing and
10 General Affairs and on Health and Welfare regarding enforcement of Vermont
11 laws relating to online sales of tobacco products, tobacco substitutes, and
12 tobacco paraphernalia as set forth in this subsection.

13 (2) The Department of Liquor and Lottery shall report at least the
14 following information for the previous 12-month period:

15 (A) the number of online compliance checks that the Department
16 conducted;

17 (B) the number of cases relating to online sales activity that the
18 Department referred to the Office of the Attorney General for further action;
19 and

20 (C) the number of reports of unlawful online sales activity that the
21 Department received from the public and the outcomes of those reports.

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

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

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

7 (3) using terms for, describing, or depicting a product described in
8 subdivision (1) of this subsection.

9 (b)(1) In addition to or in lieu of any other civil or criminal remedy
10 provided by law, upon a determination that a person has violated this section,
11 the Attorney General may impose a civil penalty in an amount not to exceed
12 \$5,000.00 for each violation. For purposes of this subsection, each instance of
13 marketing, promoting, labeling, branding, advertising, distributing, possessing
14 for sale, offering for sale, or selling a deceptive tobacco product or tobacco
15 substitute shall constitute a separate violation.

16 (2) In any action brought pursuant to this section, the State shall be
17 entitled to recover the costs of investigation, of expert witness fees, and of the
18 action, and reasonable attorney's fees.

19 (3) A person who violates this section commits an unfair and deceptive
20 trade practice in commerce in violation of 9 V.S.A. § 2453.

1 permittee or licensee has been convicted by a court of competent jurisdiction
2 of violating the provisions of this title.

3 (3) In the case of a suspension, the permittee or licensee shall be notified
4 and given a hearing before the Board of Liquor and Lottery or the local control
5 commissioners, whichever applies.

6 (4) Any decision to suspend or revoke a license shall be issued in
7 writing and set forth the reasons for the suspension or revocation and, if
8 applicable, the duration of the suspension.

9 ~~(5) A tobacco license may not be suspended or revoked for a first-time~~
10 ~~violation.~~ Suspension or revocation of a tobacco license shall not affect any
11 liquor license held by the licensee.

12 (b)(1) In addition to the authority to suspend or revoke any permit or
13 license, the Board of Liquor and Lottery may impose an administrative penalty
14 of up to \$7,500.00 per violation against a holder of a wholesale dealer's license
15 ~~or~~; a holder of a first-, second-, or third-class license; or a holder of any
16 tobacco license for a violation of the conditions of the license or of this title or
17 of any rule adopted by the Board.

18 (2) The administrative penalty may be imposed after a hearing before
19 the Board or after the licensee has been convicted by a court of competent
20 jurisdiction of violating the provisions of this title.

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

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

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

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

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

15 * * *

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

18 * * *

19 (15)(A) “Other tobacco products” means any product manufactured
20 from, derived from, or containing tobacco or nicotine, whether natural or
21 synthetic, including nicotine alkaloids and nicotine analogs, that is intended for

1 human consumption by smoking, chewing, or in any other manner, ~~including~~
2 except as otherwise specified in subdivision (B) of this subdivision (15).

3 (B)(i) The term includes products sold as a tobacco substitute, as
4 defined in 7 V.S.A. § 1001(8), ~~and~~ including any liquids, whether nicotine
5 based or not, ~~or~~ and delivery devices sold separately for use with a tobacco
6 substitute, but ~~shall~~ not including nicotine pouches.

7 (ii) The term does not include cigarettes, little cigars, roll-your-
8 own tobacco, snuff, new smokeless tobacco as defined in this section, or
9 cannabis products as defined in 7 V.S.A. § 831.

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

16 (17) “Wholesale dealer’s license” ~~shall mean~~ means the license granted
17 under the provisions of ~~this chapter~~ 7 V.S.A. § 1002b to a wholesale dealer for
18 a wholesale outlet.

19 * * *

20 (20) “New smokeless tobacco” means any tobacco product
21 manufactured from, derived from, or containing tobacco or nicotine, whether

1 natural or synthetic, including nicotine alkaloids and nicotine analogs, that is
2 not intended to be smoked, has a moisture content of less than 45 percent, or is
3 offered in individual single-dose tablets or other discrete single-use units, and
4 includes nicotine pouches.

5 * * *

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

7 § 7776. COLLECTION OF CIGARETTE TAX THROUGH
8 NONRESIDENT LICENSED WHOLESALE DEALERS

9 * * *

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

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

16 § 7821. CRIMINAL PENALTIES

17 Any person who shall fail, neglect, or refuse to comply with or shall violate
18 the provisions of this chapter relating to the tax on tobacco products or the
19 rules adopted by the Commissioner under this chapter relating to such tax shall
20 be guilty of a misdemeanor and upon conviction for a first offense shall be
21 sentenced to pay a fine of not more than \$250.00 or to be imprisoned for not

1 more than 60 days, or both, such fine and imprisonment in the discretion of the
2 court, and for a second or subsequent offense shall be sentenced to pay a fine
3 of not less than \$250.00 nor more than \$500.00 or be imprisoned for not more
4 than six months, or both, such fine and imprisonment in the discretion of the
5 court. This section shall not apply to violations of ~~sections 7731–7734 and~~
6 section 7776 of this title.

7 Sec. 8. REDESIGNATION

8 32 V.S.A. § 7737 (licensed wholesale dealers; bonding) is redesignated as
9 32 V.S.A. § 7703.

10 Sec. 9. REPEALS

11 32 V.S.A. §§ 7731–7736 (licensure of wholesale dealers) are repealed.

12 Sec. 10. TOBACCO ENFORCEMENT CAPACITY; REPORT

13 (a) The General Assembly finds that the regulation of tobacco products,
14 tobacco substitutes, and the deceptive devices prohibited by 7 V.S.A. § 1013,
15 as added by this act, is a significant public health priority, especially with
16 respect to protecting individuals under 21 years of age from being targeted or
17 supplied with these products.

18 (b) On or before January 15, 2027, the Department of Liquor and Lottery,
19 in consultation with the Office of the Attorney General, shall evaluate and
20 report to the House Committees on Human Services and on Commerce and
21 Economic Development and the Senate Committees on Health and Welfare

1 and on Economic Development, Housing and General Affairs regarding the
2 following:

3 (1) the number of compliance checks that the Department conducted in
4 fiscal years 2025 and 2026 with respect to tobacco products and tobacco
5 substitutes;

6 (2) whether the Department's current enforcement staffing levels are
7 sufficient to meet the compliance targets established in 7 V.S.A. § 1007(b)(1)
8 and to adequately enforce 7 V.S.A. chapter 40 as amended by this act,
9 including the prohibition on deceptive devices in 7 V.S.A. § 1013, the
10 restrictions on internet sales in 7 V.S.A. § 1010, and the expanded wholesale
11 licensure requirements;

12 (3) any unmet enforcement needs identified as a result of the expanded
13 scope of regulation under this act; and

14 (4) whether additional staffing resources at the Department of Liquor
15 and Lottery or the Office of the Attorney General, or both, would materially
16 improve compliance with and enforcement of Vermont's tobacco laws.

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

18 REPORT

19 (a) The Office of the Attorney General, in collaboration with the
20 Departments of Taxes and of Liquor and Lottery and in consultation with
21 wholesale dealers and other interested stakeholders, shall:

1 (1) identify efficient and effective processes by which to impose taxes
2 on tobacco products and tobacco substitutes, as defined in 7 V.S.A. § 1001, as
3 amended by this act, including opportunities to base taxation on a product's
4 nicotine concentration or on the volume of a product's nicotine tank, or both;
5 and

6 (2) evaluate the continued use of tax stamps in this State as evidence of
7 payment of the excise tax on tobacco products and tobacco substitutes, as
8 defined in 7 V.S.A. § 1001, as amended by this act; explore the potential to
9 transition to a more modern process, such as quick-response (QR) codes or
10 other digitized systems; and consider the advantages and disadvantages of
11 using alternative approaches for certifying tax compliance.

12 (b) On or before January 15, 2027, the Office of the Attorney General shall
13 provide its findings and recommendations for the items set forth in subsection
14 (a) of this section, including proposed next steps and legislative needs, to the
15 House Committees on Commerce and Economic Development, on Human
16 Services, and on Ways and Means and the Senate Committees on Economic
17 Development, Housing and General Affairs; on Finance; and on Health and
18 Welfare.

19 Sec. 12. EFFECTIVE DATES

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

- 1 (1) in Sec. 1 (7 V.S.A. chapter 40), section 1002b (wholesale dealers;
2 license required) shall take effect on July 1, 2027;
- 3 (2) in Sec. 5 (32 V.S.A. § 7702), the amendments to subdivisions (5)
4 (definition of “licensed wholesale dealer”) and (17) (definition of “wholesale
5 dealer’s license”) shall take effect on July 1, 2027; and
- 6 (3) Secs. 6 (32 V.S.A. § 7776), 7 (32 V.S.A. § 7821), 8 (redesignation),
7 and 9 (repeals) shall take effect on July 1, 2027.