

## House Proposal of Amendment

### S. 198

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

The House proposes to the Senate to amend the bill by striking out all after the enacting clause and inserting in lieu thereof the following:

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

#### CHAPTER 40. TOBACCO PRODUCTS

##### § 1001. DEFINITIONS

As used in this chapter:

\* \* \*

(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.

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

(B) The term “tobacco substitute” includes electronic cigarettes or and other electronic or battery-powered devices, that contain or 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. The term also includes nicotine pouches and any liquids, whether nicotine based or not, and delivery devices sold separately for use with a tobacco substitute.

(C) Cannabis products as defined in section 831 of this title or 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.

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

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

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

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

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

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

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

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

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

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

(2) The licenses issued under this section shall be entitled “LIQUOR LICENSE,” “LIQUOR TOBACCO LICENSE,” or “TOBACCO LICENSE,” ~~as applicable.~~ The and the endorsements issued under this section shall be entitled “TOBACCO SUBSTITUTE ENDORSEMENT.”

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

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

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

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

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

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

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

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

(2) The municipal clerk shall forward the application to the Division, and, if the municipality's local control commissioners have approved the application for a tobacco license and, if applicable, a tobacco substitute endorsement, the Division shall issue the tobacco license and the tobacco substitute endorsement, as applicable, ~~and shall forward all fees to the Commissioner for deposit. Fees collected pursuant to this subsection shall be deposited in the Liquor Control Enterprise Fund.~~

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

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

(g) No person shall 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 in the State unless the person is a licensed wholesale dealer as ~~defined in 32 V.S.A. § 7702~~ or has purchased the tobacco products, tobacco substitutes, substances containing nicotine or otherwise intended for use with a tobacco substitute, or tobacco paraphernalia from a licensed wholesale dealer.

(h) This section shall not apply to a cannabis establishment licensed pursuant to chapter 33 of this title to engage in the retail sale of cannabis products as defined in section 831 of this title but not engaged in the sale of tobacco products or tobacco substitutes.

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#### § 1002b. WHOLESALE DEALERS; LICENSE REQUIRED

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

(b) Application for and issuance of license.

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

(2) A wholesale license may be issued by the Division upon application on forms prescribed by the Division, stating the name and address of the applicant, the address of the place of business at which the applicant proposes to engage in the wholesale business, the type of business, and such other information as the Division may require for the proper administration of this chapter. Each license issued pursuant to this section shall be prominently displayed on the premises covered by the license.

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

(d) Term of license. Each license issued under the provisions of this section shall be valid for one year from the date of issue. If the business with respect to which the license was issued is sold or transferred or if the licensee ceases to do business at the place named, the license shall immediately be returned to the Division for cancellation.

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

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§ 1005. PERSONS INDIVIDUALS UNDER 21 YEARS OF AGE;  
POSSESSION OR PURCHASE OF TOBACCO PRODUCTS  
PROHIBITED; PENALTY FOR MISREPRESENTING AGE OR  
PURCHASING TOBACCO PRODUCTS; PENALTY

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

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

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

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

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

(c) ~~A person~~ An individual under 21 years of age who misrepresents the ~~person's~~ individual's age by presenting false identification to purchase tobacco products, tobacco substitutes, or tobacco paraphernalia shall be ~~subject to a civil penalty of not more than \$50.00 or provide~~ offered the choice of providing up to 10 hours of community service; ~~or both participating in a nationally recognized youth tobacco cessation program to be determined by the Department of Health. An action under this section shall be brought in the same manner as a traffic violation pursuant to 23 V.S.A. chapter 24.~~

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

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

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

(b)(1) The Division of Liquor Control shall conduct or contract for compliance tests of tobacco licensees as frequently and as comprehensively as necessary to ensure consistent statewide compliance with the prohibition on sales to ~~persons~~ individuals under 21 years of age of at least 90 percent for buyers who are between 17 and 20 years of age. An individual under 21 years

of age participating in a compliance test shall not be in violation of section 1005 of this title.

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

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

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

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

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

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#### § 1009. CONTRABAND AND SEIZURE

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

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

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

§ 1010. INTERNET SALES

\* \* \*

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

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

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

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

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

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

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

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

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

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

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

(3) The Office of the Attorney General shall report at least the following information for the previous 12-month period:

(A) the outcomes of cases related to online sales activity that were referred by the Department of Liquor and Lottery or any other governmental source;

(B) the number of reports of unlawful online sales activity that the Office received from the public and the outcomes of those reports; and

(C) the number and amounts of any monetary penalties imposed and other legal remedies executed by the Office related to online sales activity.

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#### § 1013. DECEPTIVE TOBACCO PRODUCTS AND TOBACCO

##### SUBSTITUTES PROHIBITED

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

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

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

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

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

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

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

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

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

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

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

(4) In addition to the penalties and remedies described in subdivisions (1)–(3) of this subsection, the Attorney General has the same authority as provided under 9 V.S.A. chapter 63, subchapter 1.

Sec. 2. 4 V.S.A. § 1102(b) is amended to read:

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

\* \* \*

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

\* \* \*

Sec. 3. 7 V.S.A. § 210 is amended to read:

§ 210. SUSPENSION OR REVOCATION OF LICENSE OR PERMIT;

ADMINISTRATIVE PENALTY

(a)(1) The control commissioners, as applicable, or the Board of Liquor and Lottery shall have power to suspend or revoke any permit or license granted pursuant to this title in the event the person holding the permit or license shall at any time during the term of the permit or license conduct its business in violation of this title, the conditions pursuant to which the permit or license was granted, or any rule prescribed by the Board of Liquor and Lottery.

(2) No revocation shall be made until the permittee or licensee has been notified and given a hearing before the Board of Liquor and Lottery, unless the permittee or licensee has been convicted by a court of competent jurisdiction of violating the provisions of this title.

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

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

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

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

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

(3) ~~The Board may also impose an administrative penalty under this subsection against a holder of a tobacco license of up to \$250.00 for a first violation and up to \$2,500.00 for subsequent violations. [Repealed.]~~

(4) ~~For the first violation during a tobacco or alcohol compliance check during any three-year period, a licensee or permittee shall receive a warning and be required to attend a Division server training class. [Repealed.]~~

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

#### § 3102. CONFIDENTIALITY OF TAX RECORDS

\* \* \*

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

\* \* \*

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

\* \* \*

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

§ 7702. DEFINITIONS

As used in this chapter unless the context otherwise requires:

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

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

(B) tobacco, in any form, that is functional in the product, 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; or

(C) any roll of tobacco wrapped in substance containing tobacco that, 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 subdivision (1).

\* \* \*

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

\* \* \*

(15)(A) “Other tobacco products” means any product manufactured from, derived from, or containing tobacco or nicotine, whether natural or synthetic, including nicotine alkaloids and nicotine analogs, that is intended for human consumption by smoking, chewing, or in any other manner, ~~including~~ except as otherwise specified in subdivision (B) of this subdivision (15).

(B)(i) The term includes 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~~ and delivery devices sold separately for use with a tobacco substitute, but ~~shall not including~~ nicotine pouches.

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

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

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

\* \* \*

(20) “New smokeless tobacco” means any tobacco product manufactured from, derived from, or containing tobacco or nicotine, whether natural or synthetic, including nicotine alkaloids and nicotine analogs, 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, and includes nicotine pouches.

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

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

\* \* \*

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

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

§ 7821. CRIMINAL PENALTIES

Any person who shall fail, neglect, or refuse to comply with or shall violate the provisions of this chapter relating to the tax on tobacco products or the rules adopted by the Commissioner under this chapter relating to such tax shall be guilty of a misdemeanor and upon conviction for a first offense shall be sentenced to pay a fine of not more than \$250.00 or to be imprisoned for not more than 60 days, or both, such fine and imprisonment in the discretion of the court, and for a second or subsequent offense shall be sentenced to pay a fine of not less than \$250.00 nor more than \$500.00 or be imprisoned for not more than six months, or both, such fine and imprisonment in the discretion of the court. This section shall not apply to violations of ~~sections 7731–7734~~ and section 7776 of this title.

Sec. 8. REDESIGNATION

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

Sec. 9. REPEALS

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

Sec. 10. TOBACCO ENFORCEMENT CAPACITY; REPORT

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

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

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

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

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

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

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

REPORT

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

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

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

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

#### Sec. 12. EFFECTIVE DATES

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

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

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

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