

**S.198 – As passed by Senate showing markup from
House Proposal of Amendment**

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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.~~

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

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

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

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

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

18 (10) “Wholesale dealer” means a person who imports or causes to be
19 imported into the State any ~~cigarettes, little cigars, roll your own tobacco,~~
20 ~~snuff, new smokeless tobacco, or other tobacco product~~ **tobacco products or**
21 **tobacco substitutes** for sale or who sells or furnishes any of these products to

1 other wholesale dealers or retail dealers for the purpose of resale, but not by
2 small quantity or parcel to consumers of these products.

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

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

9 (13) “Wholesale price” means the price at which a licensed wholesale
10 dealer sells or furnishes **cigarettes, little cigars, roll your own tobacco, snuff,**
11 **new smokeless tobacco, or other tobacco products tobacco products or**
12 **tobacco substitutes** to any retail dealer.

13 § 1002. LICENSE REQUIRED FOR RETAIL SALE; APPLICATION;
14 FEE; ISSUANCE

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

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

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

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

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

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

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

15 (d)(1) For a license or endorsement required under this section, a person
16 shall apply to the legislative body of the municipality **using the application**
17 **provided by the Board in accordance with subdivision (b)(1) of this section**

18 and shall pay the following fees:

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

1 ~~(B) to the legislative body of the municipality, a fee of \$110.00;~~
2 \$150.00 for a tobacco license or renewal; and
3 ~~(C) to the legislative body of the municipality, a fee of \$50.00~~ \$75.00
4 for a tobacco substitute endorsement as provided in subdivision (a)(2) of this
5 section.

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

13 (e) A person who sells tobacco products, tobacco substitutes, or tobacco
14 paraphernalia without obtaining a tobacco license and a tobacco substitute
15 endorsement, as applicable, in violation of this section shall be ~~guilty of a~~
16 ~~misdemeanor and fined~~ subject to a civil penalty of not more than \$200.00
17 \$2,000.00 for the first offense and not more than ~~\$500.00~~ \$5,000.00 for each
18 subsequent offense.

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

1 (g) No person shall engage in the importation, distribution, wholesale sale,
2 or retail sale, or a combination of these, of tobacco products, tobacco
3 substitutes, substances containing nicotine or otherwise intended for use with a
4 tobacco substitute, or tobacco paraphernalia in the State unless the person is a
5 licensed wholesale dealer ~~as defined in 32 V.S.A. § 7702~~ or has purchased the
6 tobacco products, tobacco substitutes, substances containing nicotine or
7 otherwise intended for use with a tobacco substitute, or tobacco paraphernalia
8 from a licensed wholesale dealer.

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

13 * * *

14 § 1002b. WHOLESALE DEALERS; LICENSE REQUIRED

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

20 (b) Application for and issuance of license.

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

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

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

16 (d) Term of license. Each license issued under the provisions of this
17 section shall be valid **as long as the licensee continues to do business at the**
18 **place named unless revoked or suspended by the Division as provided in**
19 **subsection (e) of this section for one year from the date of issue.** If the
20 business with respect to which the license was issued is sold or transferred or if

1 the licensee ceases to do business at the place named, the license shall
2 immediately be returned to the Division for cancellation.

3 (e) Revocation or suspension of license. The Division may revoke or
4 suspend the license of any licensed wholesale dealer for failure to comply with
5 any provision of this chapter, 11 V.S.A. chapter 15, 32 V.S.A. chapter 205, or
6 33 V.S.A. chapter 19, subchapter 1B.

7 * * *

8 § 1005. **PERSONS INDIVIDUALS** UNDER 21 YEARS OF AGE;
9 **POSSESSION OR PURCHASE OF TOBACCO PRODUCTS**
10 **PROHIBITED; PENALTY FOR MISREPRESENTING AGE OR**
11 **PURCHASING TO PURCHASE TOBACCO PRODUCTS;**
12 **PENALTY**

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

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

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

1 § 1007. FURNISHING TOBACCO TO ~~PERSONS~~ INDIVIDUALS UNDER
2 21 YEARS OF AGE; PENALTIES; REPORT

3 (a) ~~(1) A person that~~ **An individual who** sells or furnishes tobacco
4 products, tobacco substitutes, or tobacco paraphernalia to ~~a person~~ an
5 individual under 21 years of age shall be subject to a civil penalty of not more
6 than ~~\$100.00~~ \$150.00 for the first offense and **not more than \$500.00;** for any
7 subsequent offense. ~~a civil penalty and license suspension or revocation as set~~
8 ~~forth in subdivision (b)(2) of this section.~~ An action under this section shall be
9 brought in the same manner as for a traffic violation pursuant to 23 V.S.A.
10 chapter 24 and shall be brought within 24 hours ~~of~~ following the occurrence of
11 the alleged violation.

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

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

1 of age participating in a compliance test shall not be in violation of section
2 1005 of this title.

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

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

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

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

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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

1 subject to forfeiture and condemnation pursuant to sections 570 and 572–574
2 of this title.

3 § 1010. INTERNET SALES

4 * * *

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

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

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

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

18 (1) A knowing or intentional violation of this section shall be punishable
19 by imprisonment for not more than five years or a fine of not more than
20 \$5,000.00, or both.

1 (2) In addition to or in lieu of any other civil or criminal remedy
2 provided by law, upon a determination that a person has violated this section,
3 the Attorney General may impose a civil penalty in an amount not to exceed
4 \$5,000.00 for each violation. For purposes of this subsection, each shipment
5 or transport of cigarettes, roll-your-own tobacco, little cigars, ~~or snuff,~~ tobacco
6 substitutes, substances containing nicotine or otherwise intended for use with a
7 tobacco substitute, or tobacco paraphernalia shall constitute a separate
8 violation.

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

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

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

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

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

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

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

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

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

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

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

18 **(b)(1) In addition to or in lieu of any other civil or criminal remedy**
19 **provided by law, upon a determination that a person has violated this**
20 **section, the Attorney General may impose a civil penalty in an amount not**
21 **to exceed \$5,000.00 for each violation. For purposes of this subsection,**

1 **each instance of marketing, promoting, labeling, branding, advertising,**
2 **distributing, possessing for sale, offering for sale, or selling a deceptive**
3 **tobacco product or tobacco substitute shall constitute a separate violation.**

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

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

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

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

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

14 * * *

15 (4) Violations of 7 V.S.A. § 1005, relating to ~~possession and~~
16 ~~procurement of tobacco products~~ misrepresentation of age by a person under
17 21 years of age to purchase tobacco products.

18 * * *

19 **Sec. 2. [Deleted.]**

20 **Sec. 3. [Deleted.]**

21 Sec. 3. 7 V.S.A. § 210 is amended to read: **(NEW)**

1 § 210. SUSPENSION OR REVOCATION OF LICENSE OR PERMIT;

2 ADMINISTRATIVE PENALTY

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

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

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

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

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

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

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

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

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

16 * * *

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

18 § 3102. CONFIDENTIALITY OF TAX RECORDS

19 * * *

20 (e) The Commissioner may, in the Commissioner’s discretion and subject
21 to such conditions and requirements as the Commissioner may provide,

1 including any confidentiality requirements of the Internal Revenue Service,
2 disclose a return or return information:

3 * * *

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

7 * * *

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

9 § 7702. DEFINITIONS

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

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

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

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

20 (C) any roll of tobacco wrapped in substance containing tobacco that,
21 because of its appearance, the type of tobacco used in the filler, or its

1 packaging and labeling, is likely to be offered to, or purchased by, consumers
2 as a cigarette described in subdivision (A) of this subdivision (1).

3 * * *

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

6 * * *

7 (15) “Other tobacco products” means any product manufactured from,
8 derived from, or containing tobacco or nicotine, whether natural or synthetic,
9 including nicotine alkaloids and nicotine analogs, that is intended for human
10 consumption by smoking, chewing, inhaling, sucking, absorbing, or
11 consuming in any other manner, including except as otherwise specified in
12 subdivision (B) of this subdivision (15).

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

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

20 (16) “Wholesale dealer” means a person who imports or causes to be
21 imported into the State any cigarettes, little cigars, roll-your-own tobacco,

1 snuff, new smokeless tobacco, or other tobacco product for sale or who sells or
2 furnishes any of these products to other wholesale dealers or retail dealers for
3 the purpose of resale, but not by small quantity or parcel to consumers ~~thereof~~
4 of these products.

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

8 * * *

9 (20) “New smokeless tobacco” means any tobacco product
10 manufactured from, derived from, or containing tobacco or nicotine, whether
11 natural or synthetic, including nicotine alkaloids and nicotine analogs, that is
12 not intended to be smoked, has a moisture content of less than 45 percent, or is
13 offered in individual single-dose tablets or other discrete single-use units, **and**
14 **includes nicotine pouches**.

15 * * *

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

17 § 7776. COLLECTION OF CIGARETTE TAX THROUGH

18 NONRESIDENT LICENSED WHOLESALE DEALERS

19 * * *

20 (d) Any person complying with the provisions of this section shall
21 thereupon become a licensed wholesale dealer within the meaning of 7 V.S.A.

1 chapter 40 and this chapter and shall be subject to all provisions of ~~the chapter~~
2 both chapters applicable to wholesale dealers, including the furnishing of a
3 bond specified in ~~subchapter 2~~ section 7703 of this chapter.

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

5 § 7821. CRIMINAL PENALTIES

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

17 Sec. 8. REDESIGNATION

18 32 V.S.A. § 7737 (licensed wholesale dealers; bonding) is redesignated as
19 32 V.S.A. § 7703.

20 Sec. 9. REPEALS

21 32 V.S.A. §§ 7731–7736 (licensure of wholesale dealers) are repealed.

1 **Sec. 10. [Deleted.]**

2 **Sec. 10. TOBACCO ENFORCEMENT CAPACITY; REPORT (NEW)**

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

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

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

17 **(2) whether the Department's current enforcement staffing levels**
18 **are sufficient to meet the compliance targets established in 7 V.S.A.**
19 **§ 1007(b)(1) and to adequately enforce 7 V.S.A. chapter 40 as amended by**
20 **this act, including the prohibition on deceptive devices in 7 V.S.A. § 1013,**

1 **the restrictions on internet sales in 7 V.S.A. § 1010, and the expanded**
2 **wholesale licensure requirements;**

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

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

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

10 REPORT

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

15 (1) identify efficient and effective processes by which to impose taxes
16 on **tobacco products and** tobacco substitutes, as defined in 7 V.S.A. § 1001,
17 ~~based on the concentration of nicotine they contain~~ **as amended by this act,**
18 **including opportunities to base taxation on a product's nicotine**
19 **concentration or on the volume of a product's nicotine tank, or both;** and

20 (2) evaluate the continued use of tax stamps **in this State** as evidence of
21 payment of the excise tax on ~~cigarettes, little cigars, and roll your own tobacco~~

1 ~~in this State~~ **tobacco products and tobacco substitutes, as defined in 7**
2 **V.S.A. § 1001, as amended by this act; explore the potential to transition**
3 **to a more modern process, such as quick-response (QR) codes or other**
4 **digitized systems;** and consider the advantages and disadvantages of **using**
5 alternative approaches ~~of~~ **for** certifying tax compliance.

6 (b) On or before January 15, 2027, the ~~Department of Taxes~~ **Office of the**
7 **Attorney General** shall provide its findings and recommendations for ~~taxing~~
8 ~~tobacco substitutes based on nicotine concentration and regarding the~~
9 ~~continued use of tax stamps~~ **the items set forth in subsection (a) of this**
10 **section**, including proposed next steps and legislative needs, to the House
11 **Committees ~~on Commerce and Economic Development,~~ on Human**
12 **Services,** and on Ways and Means and the Senate Committees on Economic
13 **Development, Housing and General Affairs; on Finance; and on Health and**
14 **Welfare.**

15 Sec. 12. EFFECTIVE DATES

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

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

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

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