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Nicotine Product Tax Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Tyler Clancy

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LONG TITLE

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General Description:

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This bill modifies provisions related to nicotine product taxes.

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Highlighted Provisions:

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This bill:

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▸ defines terms;

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▸ increases the rates of the taxes levied on cigarettes, electronic cigarettes, and

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nontherapeutic nicotine devices;

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▸ replaces the weight-based tax rate for alternative nicotine products with:

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• a per product tax rate, for alternative nicotine products that contain pouches; or

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• a tax rate based on a percentage of the manufacturer's sales price, for alternative

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nicotine products that do not contain pouches;

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▸ imposes a transitional inventory tax on cigarettes subject to the tax increase described in

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this bill;

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▸ requires the Division of Finance to transfer the additional revenue generated by the tax

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increases described in this bill for electronic cigarettes, nontherapeutic nicotine devices,

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and alternative nicotine products to the General Fund; and

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▸ makes technical changes.

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Money Appropriated in this Bill:

22 None

23 **Other Special Clauses:**

24 This bill provides a special effective date.

25 **Utah Code Sections Affected:**

26 AMENDS:

27 **59-14-102 (Effective 07/01/26)**, as last amended by Laws of Utah 2025, Chapter 173

28 **59-14-204 (Effective 07/01/26)**, as last amended by Laws of Utah 2016, Chapter 168

29 **59-14-215 (Effective 07/01/26)**, as enacted by Laws of Utah 2010, Chapter 415 and last
30 amended by Coordination Clause, Laws of Utah 2010, Chapter 407

31 **59-14-804 (Effective 07/01/26)**, as last amended by Laws of Utah 2023, Chapter 300

32 **59-14-807 (Effective 07/01/26) (Partially Repealed 07/01/30)**, as last amended by Laws
33 of Utah 2025, Chapters 173, 366

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35 *Be it enacted by the Legislature of the state of Utah:*

36 Section 1. Section **59-14-102** is amended to read:

37 **59-14-102 (Effective 07/01/26). Definitions.**

38 As used in this chapter:

39 (1) "Alternative nicotine product" means the same as that term is defined in Section
40 76-9-1101.

41 (2) "Cigarette" means a roll made wholly or in part of tobacco:

42 (a) regardless of:

43 (i) the size of the roll;

44 (ii) the shape of the roll;

45 (iii) whether the tobacco is flavored, adulterated, or mixed with any other ingredient;

46 or

47 (iv) whether the tobacco is heated or burned; and

48 (b) if the roll has a wrapper or cover that is made of paper or any other substance or
49 material except tobacco.

50 (3) "Cigarette rolling machine" means a device or machine that has the capability to
51 produce at least 150 cigarettes in less than 30 minutes.

52 (4) "Cigarette rolling machine operator" means a person who:

53 (a)(i) controls, leases, owns, possesses, or otherwise has available for use a cigarette
54 rolling machine; and

55 (ii) makes the cigarette rolling machine available for use by another person to

- 56 produce a cigarette; or
- 57 (b) offers for sale, at retail, a cigarette produced from the cigarette rolling machine.
- 58 (5) "Consumer" means a person that is not required:
- 59 (a) under Section 59-14-201 to obtain a license under Section 59-14-202;
- 60 (b) under Section 59-14-301 to obtain a license under Section 59-14-202; or
- 61 (c) to obtain a license under Section 59-14-803.
- 62 (6) "Counterfeit cigarette" means:
- 63 (a) a cigarette that has a false manufacturing label; or
- 64 (b) a package of cigarettes bearing a counterfeit tax stamp.
- 65 (7)(a) "Electronic cigarette" means the same as that term is defined in Section 76-9-1101.
- 66 (b) "Electronic cigarette" does not include a cigarette or a tobacco product.
- 67 (8) "Electronic cigarette product" means the same as that term is defined in Section
- 68 76-9-1101.
- 69 (9) "Electronic cigarette substance" means the same as that term is defined in Section
- 70 76-9-1101.
- 71 (10) "Importer" means a person that imports into the United States, either directly or
- 72 indirectly, a finished cigarette for sale or distribution.
- 73 (11) "Indian tribal entity" means a federally recognized Indian tribe, tribal entity, or any
- 74 other person doing business as a distributor or retailer of cigarettes on tribal lands
- 75 located in the state.
- 76 (12) "Little cigar" means a roll for smoking that:
- 77 (a) is made wholly or in part of tobacco;
- 78 (b) uses an integrated cellulose acetate filter or other similar filter; and
- 79 (c) is wrapped in a substance:
- 80 (i) containing tobacco; and
- 81 (ii) that is not exclusively natural leaf tobacco.
- 82 (13)(a) Except as provided in Subsection (13)(b), "manufacturer" means a person that:
- 83 (i) manufactures, fabricates, assembles, processes, or labels a finished cigarette; or
- 84 (ii) makes, modifies, mixes, manufactures, fabricates, assembles, processes, labels,
- 85 repackages, relabels, or imports an electronic cigarette product or a nicotine
- 86 product.
- 87 (b) "Manufacturer" does not include a cigarette rolling machine operator.
- 88 (14) "Moist snuff" means tobacco that:
- 89 (a) is finely cut, ground, or powdered;

- 90 (b) has at least 45% moisture content, as determined by the commission by rule made in
91 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;
- 92 (c) is not intended to be:
- 93 (i) smoked; or
94 (ii) placed in the nasal cavity; and
- 95 (d) except for single-use pouches of loose tobacco, is not packaged, produced, sold, or
96 distributed in single-use units, including:
- 97 (i) tablets;
98 (ii) lozenges;
99 (iii) strips;
100 (iv) sticks; or
101 (v) packages containing multiple single-use units.
- 102 (15) "Nicotine" means the same as that term is defined in Section 76-9-1101.
- 103 (16) "Nicotine pouch product" means an alternative nicotine product that:
- 104 (a) delivers nicotine in the form of a pouch containing a solid, gel, or paste; and
105 (b) is intended for human consumption or placement in the oral cavity for absorption
106 into the human body by any means other than inhalation.
- 107 [~~16~~] (17) "Nicotine product" means the same as that term is defined in Section 76-9-1101.
- 108 [~~17~~] (18) "Nontherapeutic nicotine device" means the same as that term is defined in
109 Section 76-9-1101.
- 110 [~~18~~] (19) "Nontherapeutic nicotine device substance" means the same as that term is
111 defined in Section 76-9-1101.
- 112 [~~19~~] (20) "Nontherapeutic nicotine product" means the same as that term is defined in
113 Section 76-9-1101.
- 114 [~~20~~] (21) "Prefilled electronic cigarette" means the same as that term is defined in Section
115 76-9-1101.
- 116 [~~21~~] (22) "Prefilled nontherapeutic nicotine device" means the same as that term is defined
117 in Section 76-9-1101.
- 118 [~~22~~] (23) "Retailer" means a person that:
- 119 (a) sells or distributes a cigarette, an electronic cigarette product, or a nicotine product to
120 a consumer in the state; or
- 121 (b) intends to sell or distribute a cigarette, an electronic cigarette product, or a nicotine
122 product to a consumer in the state.
- 123 [~~23~~] (24) "Stamp" means the indicia required to be placed on a cigarette package that

124 evidences payment of the tax on cigarettes required by Section 59-14-205.

125 [~~(24)~~] (25)(a) "Tobacco product" means a product made of, or containing, tobacco.

126 (b) "Tobacco product" includes:

127 (i) a cigarette produced from a cigarette rolling machine;

128 (ii) a little cigar; or

129 (iii) moist snuff.

130 (c) "Tobacco product" does not include a cigarette.

131 [~~(25)~~] (26) "Tribal lands" means land held by the United States in trust for a federally
132 recognized Indian tribe.

133 Section 2. Section **59-14-204** is amended to read:

134 **59-14-204 (Effective 07/01/26). Tax basis -- Rate -- Future increase -- Cigarette**
135 **Tax Restricted Account -- Appropriation and expenditure of revenues.**

136 (1) Except for cigarettes described under Subsection 59-14-210(3), there is levied a tax
137 upon the sale, use, storage, or distribution of cigarettes in the state.

138 (2) The [~~rates of the tax levied under Subsection (1) are, beginning on July 1, 2010:~~] rate of
139 the tax levied under Subsection (1) is 11 cents on each cigarette.

140 [~~(a) 8.5 cents on each cigarette, for all cigarettes weighing not more than three pounds~~
141 ~~per thousand cigarettes; and]~~

142 [~~(b) 9.963 cents on each cigarette, for all cigarettes weighing in excess of three pounds~~
143 ~~per thousand cigarettes.]~~

144 (3) Except as otherwise provided under this chapter, the tax levied under Subsection (1)
145 shall be paid by any person who is the manufacturer, jobber, importer, distributor,
146 wholesaler, retailer, user, or consumer.

147 (4) The tax rates specified in this section shall be increased by the commission by the same
148 amount as any future reduction in the federal excise tax on cigarettes.

149 (5)(a) There is created within the General Fund a restricted account known as the
150 "Cigarette Tax Restricted Account."

151 (b) The Cigarette Tax Restricted Account consists of:

152 (i) the first \$7,950,000 of the revenues collected from a tax under this section; and

153 (ii) any other appropriations the Legislature makes to the Cigarette Tax Restricted
154 Account.

155 (c) For each fiscal year beginning with fiscal year 2011-12 and subject to appropriation
156 by the Legislature, the Division of Finance shall distribute money from the Cigarette
157 Tax Restricted Account as follows:

- 158 (i) \$250,000 to the Department of Health to be expended for a tobacco prevention
 159 and control media campaign targeted towards children;
- 160 (ii) \$2,900,000 to the Department of Health to be expended for tobacco prevention,
 161 reduction, cessation, and control programs;
- 162 (iii) \$2,000,000 to the University of Utah Health Sciences Center for the Huntsman
 163 Cancer Institute to be expended for cancer research; and
- 164 (iv) \$2,800,000 to the University of Utah Health Sciences Center to be expended for
 165 medical education at the University of Utah School of Medicine.
- 166 (d) In determining how to appropriate revenue deposited into the Cigarette Tax
 167 Restricted Account that is not otherwise appropriated under Subsection (5)(c), the
 168 Legislature shall give particular consideration to enhancing Medicaid provider
 169 reimbursement rates and medical coverage for the uninsured.

170 Section 3. Section **59-14-215** is amended to read:

171 **59-14-215 (Effective 07/01/26). Transitional inventory tax on cigarettes --**
 172 **Penalties and interest for failure to comply -- Credit or refund for outdated, unaffixed**
 173 **stamps.**

- 174 (1) In addition to the tax described in Section 59-14-204, there is imposed, beginning on
 175 July 1, [~~2010~~] 2026, an inventory tax on all cigarettes subject to the tax described in
 176 Section 59-14-204, upon the sale, use, storage, or distribution of those cigarettes in the
 177 state, as follows:
- 178 (a) the tax imposed in this section applies only to cigarettes sold, used, stored, or
 179 distributed in the state on or after July 1, [~~2010~~] 2026:
- 180 (i) that have a stamp that reflects that the tax paid on those cigarettes was paid at the
 181 tax rate imposed under Section 59-14-204 that was applicable on June 30, [~~2010~~]
 182 2026; and
- 183 (ii) for which the tax imposed in this section has not been paid; and
- 184 (b) the tax imposed in this section is equal to the difference between:
- 185 (i) the tax imposed on those cigarettes under Section 59-14-204, beginning on July 1, [~~2010~~]
 186 2026; and
- 187 (ii) the tax imposed on those cigarettes under Section 59-14-204 on or before June
 188 30, [~~2010~~] 2026.
- 189 (2) Except as otherwise provided under this chapter, the tax imposed under this section
 190 shall be paid by any person who is the manufacturer, jobber, importer, distributor,
 191 wholesaler, or retailer.

- 192 (3) A person described in Subsection (2) shall remit the tax imposed in this section, on a
193 return prescribed by the commission, on or before July 31, [2010] 2026.
- 194 (4) Failure of a person to comply with the requirements of this section subjects the person
195 to the penalties and interest described in Sections 59-1-401 and 59-1-402.
- 196 (5) The commission may not waive the interest or penalties imposed on a person for failure
197 to comply with the requirements of this section.
- 198 (6)(a) Beginning on July 1, [2010] 2026, it is unlawful to affix a stamp to cigarettes that
199 reflects payment of the tax imposed under Section 59-14-204 at the rate that was
200 applicable on or before June 30, [2010] 2026.
- 201 (b) A person who violates Subsection (6)(a) may be required by the commission to pay
202 as part of the tax, and in addition to any other penalty provided in this chapter, a
203 penalty of \$25 for each offense, to be assessed and collected by the commission in
204 accordance with Chapter 1, Part 14, Assessment, Collections, and Refunds Act.
- 205 (c) A person who, on or after July 1, [2010] 2026, possesses tax stamps described in
206 Subsection (6)(a) may return the stamps to the commission for a credit or refund.
207 Section 4. Section **59-14-804** is amended to read:

208 **59-14-804 (Effective 07/01/26). Taxation of electronic cigarette substance,**
209 **prefilled electronic cigarette, alternative nicotine product, nontherapeutic nicotine device**
210 **substance, and prefilled nontherapeutic nicotine device.**

- 211 (1)(a) Beginning on July 1, 2020, a tax is imposed upon the following:
212 (i) an electronic cigarette substance; and
213 (ii) a prefilled electronic cigarette.
- 214 (b) Beginning on July 1, 2021, a tax is imposed upon the following:
215 (i) a nontherapeutic nicotine device substance; and
216 (ii) a prefilled nontherapeutic nicotine device.
- 217 (c) Beginning on July 1, 2021, a tax is imposed upon an alternative nicotine product.
- 218 (2)(a) The amount of tax imposed under Subsections (1)(a) and (b) is ~~[-.56]~~ .71 multiplied
219 by the manufacturer's sales price.
- 220 (b)(i) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine
221 product that is a nicotine pouch product is the sum of:
222 (A) \$1; and
223 (B) 5 cents on each pouch contained within the alternative nicotine product in
224 excess of 20 pouches.
- 225 (ii) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine

226 product that is not a nicotine pouch product is .73 multiplied by the manufacturer's
 227 sales price.

228 ~~[(b)(i) The tax under Subsection (1)(c) on an alternative nicotine product is~~
 229 ~~imposed:]~~

230 ~~[(A) at a rate of \$1.83 per ounce; and]~~

231 ~~[(B) on the basis of the net weight of the alternative nicotine product as listed by~~
 232 ~~the manufacturer.]~~

233 ~~[(ii) If the net weight of the alternative nicotine product is in a quantity that is a~~
 234 ~~fractional part of one ounce, a proportionate amount of the tax described in~~
 235 ~~Subsection (2)(b)(i)(A) is imposed:]~~

236 ~~[(A) on that fractional part of one ounce; and]~~

237 ~~[(B) in accordance with rules made by the commission in accordance with Title~~
 238 ~~63G, Chapter 3, Utah Administrative Rulemaking Act.]~~

239 (3) If a product is sold in the same package as a product that is taxed under Subsection (1),
 240 the tax described in Subsection (2) shall apply to the wholesale manufacturer's sale price
 241 of the entire packaged product.

242 (4)(a) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user shall
 243 pay the tax levied under Subsection (1) at the time that an electronic cigarette
 244 substance, a prefilled electronic cigarette, an alternative nicotine product, a
 245 nontherapeutic nicotine device substance, or a prefilled nontherapeutic nicotine
 246 device is first received in the state.

247 (b) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user may not
 248 resell an electronic cigarette substance, a prefilled electronic cigarette, an alternative
 249 nicotine product, a nontherapeutic nicotine device substance, or a prefilled
 250 nontherapeutic nicotine device to another distributor, another retailer, or a consumer
 251 before paying the tax levied under Subsection (1).

252 (5)(a) The manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user shall
 253 remit the taxes collected in accordance with this section to the commission.

254 (b) The commission shall deposit revenues generated by the tax imposed by this section
 255 into the Electronic Cigarette Substance and Nicotine Product Proceeds Restricted
 256 Account created in Section 59-14-807.

257 Section 5. Section **59-14-807** is amended to read:

258 **59-14-807 (Effective 07/01/26) (Partially Repealed 07/01/30). Electronic**
 259 **Cigarette Substance and Nicotine Product Proceeds Restricted Account.**

- 260 (1) There is created within the General Fund a restricted account known as the "Electronic
261 Cigarette Substance and Nicotine Product Proceeds Restricted Account."
- 262 (2) The Electronic Cigarette Substance and Nicotine Product Proceeds Restricted Account
263 consists of:
- 264 (a) revenue collected from the tax imposed by Section 59-14-804;
- 265 (b) fees and penalties collected under Section 59-14-810;
- 266 (c) all money received by the attorney general or the Department of Commerce as a
267 result of any judgment, settlement, or compromise of claims pertaining to alleged
268 violations of law related to the manufacture, marketing, distribution, or sale of
269 electronic cigarette products, as defined in Section 76-9-1101:
- 270 (i) if the total amount of the judgment, settlement, or compromise received by the
271 state exceeds \$1,000,000; and
- 272 (ii) after reimbursement to the attorney general and the Department of Commerce for
273 expenses related to the matters described in this Subsection (2)(c); and
- 274 (d) amounts appropriated by the Legislature.
- 275 (3)(a) Subject to Subsections (3)(b) and (c), for each fiscal year and subject to
276 appropriation by the Legislature, the Division of Finance shall distribute from the
277 Electronic Cigarette Substance and Nicotine Product Proceeds Restricted Account:
- 278 (i) \$2,000,000 to the Department of Health and Human Services for enforcement
279 services aimed at disrupting organizations and networks that provide tobacco
280 products, electronic cigarette products, nicotine products, or other illegal
281 controlled substances to minors, which the Department of Health and Human
282 Services shall allocate to the local health departments using the formula created in
283 accordance with Section 26A-1-116;
- 284 (ii) \$1,180,000 to the Department of Public Safety for law enforcement officers
285 aimed at disrupting organizations and networks that provide tobacco products,
286 electronic cigarette products, nicotine products, and other illegal controlled
287 substances to minors;
- 288 (iii) \$1,000,000 to the Department of Health and Human Services for enforcement
289 services aimed at disrupting organizations and networks that provide tobacco
290 products, electronic cigarette products, nicotine products, and other illegal
291 controlled substances to minors;
- 292 (iv) \$3,000,000 to the Department of Health and Human Services for community
293 partner prevention programs, which the Department of Health and Human

294 Services shall allocate to the local health departments using the formula created in
295 accordance with Section 26A-1-116;

296 (v) \$1,000,000 to the Department of Health and Human Services for statewide
297 cessation programs and prevention education;

298 (vi) \$2,000,000 to the Department of Health and Human Services for alcohol,
299 tobacco, and other drug prevention, reduction, cessation, and control programs
300 that promote unified messages and make use of media outlets, including radio,
301 newspaper, billboards, and television; and

302 (vii) \$5,084,200 to the State Board of Education for school-based prevention
303 programs.

304 (b) If the amount in the Electronic Cigarette Substance and Nicotine Product Proceeds
305 Restricted Account is insufficient to cover the distributions described in Subsection
306 (3)(a), the Division of Finance shall make the distributions under Subsection (3)(a):

307 (i) sequentially in the order of priority the distributions are listed under Subsection
308 (3)(a);

309 (ii) in full or, if insufficient funds are available to satisfy the next distribution in the
310 sequence, in part; and

311 (iii) until the available funds in the Electronic Cigarette Substance and Nicotine
312 Product Proceeds Restricted Account are exhausted.

313 (c) For each fiscal year and subject to appropriation by the Legislature, the Division of
314 Finance shall distribute from the funds deposited under Section 59-14-810 into the
315 Electronic Cigarette Substance and Nicotine Product Proceeds Restricted Account:

316 (i) to the commission, in an amount equal to the amount necessary to create and
317 maintain the registry described in Section 59-14-810;

318 (ii) to the Department of Health and Human Services, in an amount necessary for
319 completing duties described in Section 59-14-810; and

320 (iii) to the Department of Health and Human Services, the remainder to be divided
321 among the local health departments for inspection and enforcement described in
322 Sections 26A-1-131 and 59-14-810.

323 (4)(a) The local health departments shall use the money received in accordance with
324 Subsection (3)(a) for enforcing:

325 (i) the regulation provisions described in Section 26B-7-505;

326 (ii) the labeling requirement described in Section 26B-7-505; and

327 (iii) the penalty provisions described in Section 26B-7-518.

- 328 (b) The Department of Health and Human Services shall use the money received in
329 accordance with Subsection (3)(a)(v) for the Youth Electronic Cigarette, Marijuana,
330 and Other Drug Prevention Program created in Section 26B-1-428.
- 331 (c) The local health departments shall use the money received in accordance with
332 Subsection (3)(a)(iv) to issue grants under the Electronic Cigarette, Marijuana, and
333 Other Drug Prevention Grant Program created in Section 26A-1-129.
- 334 (d) The State Board of Education shall use the money received in accordance with
335 Subsection (3)(a)(vii) to distribute to local education agencies to pay for:
- 336 (i)(A) stipends for positive behaviors specialists as described in Subsection
337 53G-10-407(4)(a)(i);
- 338 (B) the cost of administering the positive behaviors plan as described in
339 Subsection 53G-10-407(4)(a)(ii); and
- 340 (C) the cost of implementing an Underage Drinking and Substance Abuse
341 Prevention Program in grade 4 or 5, as described in Subsection
342 53G-10-406(3)(b); or
- 343 (ii) a comprehensive prevention plan, as that term is defined in Section 53F-2-525.
- 344 (5)(a) The fund shall earn interest.
- 345 (b) All interest earned on fund money shall be deposited into the fund.
- 346 (6) For a fiscal year beginning on or after July 1, 2026, the Division of Finance shall
347 transfer to the General Fund the amount of revenue generated from the taxes imposed
348 under Section 59-14-804 that exceeds \$15,900,000.
- 349 ~~[(6)]~~ (7) Subject to legislative appropriations, funds remaining in the Electronic Cigarette
350 Substance and Nicotine Product Proceeds Restricted Account after the distribution
351 described in Subsection (3) may only be used for:
- 352 (a) funding commission personnel to enforce compliance with the tax collection
353 requirements of this part; and
- 354 (b) programs and activities related to the prevention and cessation of electronic cigarette,
355 nicotine products, marijuana, and other drug use.
- 356 **Section 6. Effective Date.**
- 357 This bill takes effect on July 1, 2026.