

Tyler Clancy proposes the following substitute bill:

Nicotine Product Tax Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Tyler Clancy

Senate Sponsor: Jerry W Stevenson

LONG TITLE

General Description:

This bill modifies provisions related to nicotine product taxes.

Highlighted Provisions:

This bill:

- increases the rates of the taxes levied on cigarettes, electronic cigarettes, and nontherapeutic nicotine devices;
- applies a tax rate based on a percentage of the manufacturer's sales price to moist snuff and alternative nicotine products; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-14-204, as last amended by Laws of Utah 2016, Chapter 168

59-14-302, as last amended by Laws of Utah 2020, Chapter 347

59-14-804, as last amended by Laws of Utah 2023, Chapter 300

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

Section 1. Section **59-14-204** is amended to read:

59-14-204 . Tax basis -- Rate -- Future increase -- Cigarette Tax Restricted

Account -- Appropriation and expenditure of revenues.

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

(2) The [~~rates of the tax levied under Subsection (1) are, beginning on July 1, 2010:~~] rate of

- 30 the tax levied under Subsection (1) is 15 cents on each cigarette.
31 ~~[(a) 8.5 cents on each cigarette, for all cigarettes weighing not more than three pounds~~
32 ~~per thousand cigarettes; and]~~
33 ~~[(b) 9.963 cents on each cigarette, for all cigarettes weighing in excess of three pounds~~
34 ~~per thousand cigarettes.]~~
- 35 (3) Except as otherwise provided under this chapter, the tax levied under Subsection (1)
36 shall be paid by any person who is the manufacturer, jobber, importer, distributor,
37 wholesaler, retailer, user, or consumer.
- 38 (4) The tax rates specified in this section shall be increased by the commission by the same
39 amount as any future reduction in the federal excise tax on cigarettes.
- 40 (5)(a) There is created within the General Fund a restricted account known as the
41 "Cigarette Tax Restricted Account."
- 42 (b) The Cigarette Tax Restricted Account consists of:
- 43 (i) the first \$7,950,000 of the revenues collected from a tax under this section; and
44 (ii) any other appropriations the Legislature makes to the Cigarette Tax Restricted
45 Account.
- 46 (c) For each fiscal year beginning with fiscal year 2011-12 and subject to appropriation
47 by the Legislature, the Division of Finance shall distribute money from the Cigarette
48 Tax Restricted Account as follows:
- 49 (i) \$250,000 to the Department of Health to be expended for a tobacco prevention
50 and control media campaign targeted towards children;
51 (ii) \$2,900,000 to the Department of Health to be expended for tobacco prevention,
52 reduction, cessation, and control programs;
53 (iii) \$2,000,000 to the University of Utah Health Sciences Center for the Huntsman
54 Cancer Institute to be expended for cancer research; and
55 (iv) \$2,800,000 to the University of Utah Health Sciences Center to be expended for
56 medical education at the University of Utah School of Medicine.
- 57 (d) In determining how to appropriate revenue deposited into the Cigarette Tax
58 Restricted Account that is not otherwise appropriated under Subsection (5)(c), the
59 Legislature shall give particular consideration to enhancing Medicaid provider
60 reimbursement rates and medical coverage for the uninsured.

61 Section 2. Section **59-14-302** is amended to read:

62 **59-14-302 . Tax basis -- Rates.**

- 63 (1) As used in this section:

- 64 (a) "Manufacturer's sales price" means the amount the manufacturer of a tobacco
 65 product charges after subtracting a discount.
- 66 (b) "Manufacturer's sales price" includes an original Utah destination freight charge,
 67 regardless of:
- 68 (i) whether the tobacco product is shipped f.o.b. origin or f.o.b. destination; or
 69 (ii) who pays the original Utah destination freight charge.
- 70 (2) There is levied a tax upon the sale, use, or storage of tobacco products in the state.
- 71 (3)(a) Subject to Subsection (3)(b), the tax levied under Subsection (2) shall be paid by
 72 the manufacturer, jobber, distributor, wholesaler, retailer, user, or consumer.
- 73 (b) The tax levied under Subsection (2) on a cigarette produced from a cigarette rolling
 74 machine shall be paid by the cigarette rolling machine operator.
- 75 (4) For tobacco products except for moist snuff, a little cigar, or a cigarette produced from a
 76 cigarette rolling machine, the amount of the tax under this section is .86 multiplied by
 77 the manufacturer's sales price.
- 78 (5) The amount of the tax under this section on moist snuff is .56 multiplied by the
 79 manufacturer's sales price.
- 80 [~~(5)(a) Subject to Subsection (5)(b), the tax under this section on moist snuff is imposed:]~~
 81 [~~(i) at a rate of \$1.83 per ounce; and]~~
 82 [~~(ii) on the basis of the net weight of the moist snuff as listed by the manufacturer.]~~
 83 [~~(b) If the net weight of moist snuff is in a quantity that is a fractional part of one ounce,~~
 84 ~~a proportionate amount of the tax described in Subsection (5)(a) is imposed:]~~
 85 [~~(i) on that fractional part of one ounce; and]~~
 86 [~~(ii) in accordance with rules made by the commission in accordance with Title 63G,~~
 87 ~~Chapter 3, Utah Administrative Rulemaking Act.]~~
- 88 (6)(a) A little cigar is taxed at the same tax rates as a cigarette is taxed under Subsection
 89 59-14-204(2).
- 90 (b)(i) Subject to Subsection (6)(b)(ii), a cigarette produced from a cigarette rolling
 91 machine is taxed at the same tax rates as a cigarette is taxed under Subsection
 92 59-14-204(2).
- 93 (ii) A tax under this Subsection (6)(b) is imposed on the date the cigarette is produced
 94 from the cigarette rolling machine.
- 95 (7)(a) Moisture content of a tobacco product is determined at the time of packaging.
- 96 (b) A manufacturer who distributes a tobacco product in, or into, Utah, shall:
- 97 (i) for a period of three years after the last day on which the manufacturer distributes

- 98 the tobacco product in, or into, Utah, keep valid scientific evidence of the
 99 moisture content of the tobacco product available for review by the commission,
 100 upon demand; and
- 101 (ii) provide a document, to the person described in Subsection (3) to whom the
 102 manufacturer distributes the tobacco product, that certifies the moisture content of
 103 the tobacco product, as verified by the scientific evidence described in Subsection
 104 (7)(b)(i).
- 105 (c) A manufacturer who fails to comply with the requirements of Subsection (7)(b) is
 106 liable for the nonpayment or underpayment of taxes on the tobacco product by a
 107 person who relies, in good faith, on the document described in Subsection (7)(b)(ii).
- 108 (d) A person described in Subsection (3) who is required to pay tax on a tobacco product:
 109 (i) shall, for a period of three years after the last day on which the person pays the tax
 110 on the tobacco product, keep the document described in Subsection (7)(b)(ii)
 111 available for review by the commission, upon demand; and
 112 (ii) is not liable for nonpayment or underpayment of taxes on the tobacco product due
 113 to the person's good faith reliance on the document described in Subsection
 114 (7)(b)(ii).

115 Section 3. Section **59-14-804** is amended to read:

116 **59-14-804 . Taxation of electronic cigarette substance, prefilled electronic**
 117 **cigarette, alternative nicotine product, nontherapeutic nicotine device substance, and**
 118 **prefilled nontherapeutic nicotine device.**

- 119 (1)(a) Beginning on July 1, 2020, a tax is imposed upon the following:
 120 (i) an electronic cigarette substance; and
 121 (ii) a prefilled electronic cigarette.
- 122 (b) Beginning on July 1, 2021, a tax is imposed upon the following:
 123 (i) a nontherapeutic nicotine device substance; and
 124 (ii) a prefilled nontherapeutic nicotine device.
- 125 (c) Beginning on July 1, 2021, a tax is imposed upon an alternative nicotine product.
- 126 (2)(a) The amount of tax imposed under Subsections (1)(a) and (b) is ~~[.56] .71~~ multiplied
 127 by the manufacturer's sales price.
- 128 (b) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine
 129 product is .56 multiplied by the manufacturer's sales price.
- 130 ~~[(b)(i) The tax under Subsection (1)(c) on an alternative nicotine product is imposed:]~~
 131 ~~[(A) at a rate of \$1.83 per ounce; and]~~

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

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

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

138 ~~[(B) in accordance with rules made by the commission in accordance with Title~~
139 ~~63G, Chapter 3, Utah Administrative Rulemaking Act.]~~

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

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

148 (b) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user may not
149 resell an electronic cigarette substance, a prefilled electronic cigarette, an alternative
150 nicotine product, a nontherapeutic nicotine device substance, or a prefilled
151 nontherapeutic nicotine device to another distributor, another retailer, or a consumer
152 before paying the tax levied under Subsection (1).

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

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

158 Section 4. **Effective Date.**

159 This bill takes effect on July 1, 2026.