

Jerry W Stevenson 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:

- defines terms;
- increases the rates of the taxes levied on cigarettes, electronic cigarettes, and nontherapeutic nicotine devices;
- replaces the weight-based tax rate for moist snuff with a tax rate based on a percentage of the manufacturer's sales price;
- replaces the weight-based tax rate for alternative nicotine products with:
 - a per product tax rate, for alternative nicotine products that contain pouches; or
 - a tax rate based on a percentage of the manufacturer's sales price, for alternative nicotine products that do not contain pouches;
- imposes a transitional inventory tax on cigarettes subject to the tax increase described in this bill; 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:

- 59-14-102**, as last amended by Laws of Utah 2025, Chapter 173
- 59-14-204**, as last amended by Laws of Utah 2016, Chapter 168
- 59-14-215**, as enacted by Laws of Utah 2010, Chapter 415 and last amended by

29 Coordination Clause, Laws of Utah 2010, Chapter 407
30 **59-14-302**, as last amended by Laws of Utah 2020, Chapter 347
31 **59-14-804**, as last amended by Laws of Utah 2023, Chapter 300

32
33 *Be it enacted by the Legislature of the state of Utah:*

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

35 **59-14-102 . Definitions.**

36 As used in this chapter:

- 37 (1) "Alternative nicotine product" means the same as that term is defined in Section
38 76-9-1101.
- 39 (2) "Cigarette" means a roll made wholly or in part of tobacco:
40 (a) regardless of:
41 (i) the size of the roll;
42 (ii) the shape of the roll;
43 (iii) whether the tobacco is flavored, adulterated, or mixed with any other ingredient;
44 or
45 (iv) whether the tobacco is heated or burned; and
46 (b) if the roll has a wrapper or cover that is made of paper or any other substance or
47 material except tobacco.
- 48 (3) "Cigarette rolling machine" means a device or machine that has the capability to
49 produce at least 150 cigarettes in less than 30 minutes.
- 50 (4) "Cigarette rolling machine operator" means a person who:
51 (a)(i) controls, leases, owns, possesses, or otherwise has available for use a cigarette
52 rolling machine; and
53 (ii) makes the cigarette rolling machine available for use by another person to
54 produce a cigarette; or
55 (b) offers for sale, at retail, a cigarette produced from the cigarette rolling machine.
- 56 (5) "Consumer" means a person that is not required:
57 (a) under Section 59-14-201 to obtain a license under Section 59-14-202;
58 (b) under Section 59-14-301 to obtain a license under Section 59-14-202; or
59 (c) to obtain a license under Section 59-14-803.
- 60 (6) "Counterfeit cigarette" means:
61 (a) a cigarette that has a false manufacturing label; or
62 (b) a package of cigarettes bearing a counterfeit tax stamp.

- 63 (7)(a) "Electronic cigarette" means the same as that term is defined in Section 76-9-1101.
64 (b) "Electronic cigarette" does not include a cigarette or a tobacco product.
- 65 (8) "Electronic cigarette product" means the same as that term is defined in Section
66 76-9-1101.
- 67 (9) "Electronic cigarette substance" means the same as that term is defined in Section
68 76-9-1101.
- 69 (10) "Importer" means a person that imports into the United States, either directly or
70 indirectly, a finished cigarette for sale or distribution.
- 71 (11) "Indian tribal entity" means a federally recognized Indian tribe, tribal entity, or any
72 other person doing business as a distributor or retailer of cigarettes on tribal lands
73 located in the state.
- 74 (12) "Little cigar" means a roll for smoking that:
75 (a) is made wholly or in part of tobacco;
76 (b) uses an integrated cellulose acetate filter or other similar filter; and
77 (c) is wrapped in a substance:
78 (i) containing tobacco; and
79 (ii) that is not exclusively natural leaf tobacco.
- 80 (13)(a) Except as provided in Subsection (13)(b), "manufacturer" means a person that:
81 (i) manufactures, fabricates, assembles, processes, or labels a finished cigarette; or
82 (ii) makes, modifies, mixes, manufactures, fabricates, assembles, processes, labels,
83 repackages, relabels, or imports an electronic cigarette product or a nicotine
84 product.
- 85 (b) "Manufacturer" does not include a cigarette rolling machine operator.
- 86 (14) "Moist snuff" means tobacco that:
87 (a) is finely cut, ground, or powdered;
88 (b) has at least 45% moisture content, as determined by the commission by rule made in
89 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;
90 (c) is not intended to be:
91 (i) smoked; or
92 (ii) placed in the nasal cavity; and
93 (d) except for single-use pouches of loose tobacco, is not packaged, produced, sold, or
94 distributed in single-use units, including:
95 (i) tablets;
96 (ii) lozenges;

- 97 (iii) strips;
- 98 (iv) sticks; or
- 99 (v) packages containing multiple single-use units.
- 100 (15) "Nicotine" means the same as that term is defined in Section 76-9-1101.
- 101 (16) "Nicotine pouch product" means an alternative nicotine product that:
- 102 (a) delivers nicotine in the form of a pouch containing a solid, gel, or paste; and
- 103 (b) is intended for human consumption or placement in the oral cavity for absorption
- 104 into the human body by any means other than inhalation.
- 105 [~~16~~] (17) "Nicotine product" means the same as that term is defined in Section 76-9-1101.
- 106 [~~17~~] (18) "Nontherapeutic nicotine device" means the same as that term is defined in
- 107 Section 76-9-1101.
- 108 [~~18~~] (19) "Nontherapeutic nicotine device substance" means the same as that term is
- 109 defined in Section 76-9-1101.
- 110 [~~19~~] (20) "Nontherapeutic nicotine product" means the same as that term is defined in
- 111 Section 76-9-1101.
- 112 [~~20~~] (21) "Prefilled electronic cigarette" means the same as that term is defined in Section
- 113 76-9-1101.
- 114 [~~21~~] (22) "Prefilled nontherapeutic nicotine device" means the same as that term is defined
- 115 in Section 76-9-1101.
- 116 [~~22~~] (23) "Retailer" means a person that:
- 117 (a) sells or distributes a cigarette, an electronic cigarette product, or a nicotine product to
- 118 a consumer in the state; or
- 119 (b) intends to sell or distribute a cigarette, an electronic cigarette product, or a nicotine
- 120 product to a consumer in the state.
- 121 [~~23~~] (24) "Stamp" means the indicia required to be placed on a cigarette package that
- 122 evidences payment of the tax on cigarettes required by Section 59-14-205.
- 123 [~~24~~] (25)(a) "Tobacco product" means a product made of, or containing, tobacco.
- 124 (b) "Tobacco product" includes:
- 125 (i) a cigarette produced from a cigarette rolling machine;
- 126 (ii) a little cigar; or
- 127 (iii) moist snuff.
- 128 (c) "Tobacco product" does not include a cigarette.
- 129 [~~25~~] (26) "Tribal lands" means land held by the United States in trust for a federally
- 130 recognized Indian tribe.

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

132 **59-14-204 . Tax basis -- Rate -- Future increase -- Cigarette Tax Restricted**

133 **Account -- Appropriation and expenditure of revenues.**

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

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

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

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

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

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

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

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

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

151 (ii) any other appropriations the Legislature makes to the Cigarette Tax Restricted
152 Account.

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

156 (i) \$250,000 to the Department of Health to be expended for a tobacco prevention
157 and control media campaign targeted towards children;

158 (ii) \$2,900,000 to the Department of Health to be expended for tobacco prevention,
159 reduction, cessation, and control programs;

160 (iii) \$2,000,000 to the University of Utah Health Sciences Center for the Huntsman
161 Cancer Institute to be expended for cancer research; and

162 (iv) \$2,800,000 to the University of Utah Health Sciences Center to be expended for
163 medical education at the University of Utah School of Medicine.

164 (d) In determining how to appropriate revenue deposited into the Cigarette Tax

165 Restricted Account that is not otherwise appropriated under Subsection (5)(c), the
166 Legislature shall give particular consideration to enhancing Medicaid provider
167 reimbursement rates and medical coverage for the uninsured.

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

169 **59-14-215 . Transitional inventory tax on cigarettes -- Penalties and interest for**
170 **failure to comply -- Credit or refund for outdated, unaffixed stamps.**

171 (1) In addition to the tax described in Section 59-14-204, there is imposed, beginning on
172 July 1, [~~2010~~] 2026, an inventory tax on all cigarettes subject to the tax described in
173 Section 59-14-204, upon the sale, use, storage, or distribution of those cigarettes in the
174 state, as follows:

175 (a) the tax imposed in this section applies only to cigarettes sold, used, stored, or
176 distributed in the state on or after July 1, [~~2010~~] 2026:

177 (i) that have a stamp that reflects that the tax paid on those cigarettes was paid at the
178 tax rate imposed under Section 59-14-204 that was applicable on June 30, [~~2010~~]
179 2026; and

180 (ii) for which the tax imposed in this section has not been paid; and

181 (b) the tax imposed in this section is equal to the difference between:

182 (i) the tax imposed on those cigarettes under Section 59-14-204, beginning on July 1, [~~2010~~]
183 2026; and

184 (ii) the tax imposed on those cigarettes under Section 59-14-204 on or before June
185 30, [~~2010~~] 2026.

186 (2) Except as otherwise provided under this chapter, the tax imposed under this section
187 shall be paid by any person who is the manufacturer, jobber, importer, distributor,
188 wholesaler, or retailer.

189 (3) A person described in Subsection (2) shall remit the tax imposed in this section, on a
190 return prescribed by the commission, on or before July 31, [~~2010~~] 2026.

191 (4) Failure of a person to comply with the requirements of this section subjects the person
192 to the penalties and interest described in Sections 59-1-401 and 59-1-402.

193 (5) The commission may not waive the interest or penalties imposed on a person for failure
194 to comply with the requirements of this section.

195 (6)(a) Beginning on July 1, [~~2010~~] 2026, it is unlawful to affix a stamp to cigarettes that
196 reflects payment of the tax imposed under Section 59-14-204 at the rate that was
197 applicable on or before June 30, [~~2010~~] 2026.

198 (b) A person who violates Subsection (6)(a) may be required by the commission to pay

199 as part of the tax, and in addition to any other penalty provided in this chapter, a
 200 penalty of \$25 for each offense, to be assessed and collected by the commission in
 201 accordance with Chapter 1, Part 14, Assessment, Collections, and Refunds Act.

202 (c) A person who, on or after July 1, [2010] 2026, possesses tax stamps described in
 203 Subsection (6)(a) may return the stamps to the commission for a credit or refund.

204 Section 4. Section **59-14-302** is amended to read:

205 **59-14-302 . Tax basis -- Rates.**

206 (1) As used in this section:

207 (a) "Manufacturer's sales price" means the amount the manufacturer of a tobacco
 208 product charges after subtracting a discount.

209 (b) "Manufacturer's sales price" includes an original Utah destination freight charge,
 210 regardless of:

211 (i) whether the tobacco product is shipped f.o.b. origin or f.o.b. destination; or

212 (ii) who pays the original Utah destination freight charge.

213 (2) There is levied a tax upon the sale, use, or storage of tobacco products in the state.

214 (3)(a) Subject to Subsection (3)(b), the tax levied under Subsection (2) shall be paid by
 215 the manufacturer, jobber, distributor, wholesaler, retailer, user, or consumer.

216 (b) The tax levied under Subsection (2) on a cigarette produced from a cigarette rolling
 217 machine shall be paid by the cigarette rolling machine operator.

218 (4) For tobacco products except for moist snuff, a little cigar, or a cigarette produced from a
 219 cigarette rolling machine, the amount of the tax under this section is .86 multiplied by
 220 the manufacturer's sales price.

221 (5) The amount of the tax under this section on moist snuff is .73 multiplied by the
 222 manufacturer's sales price.

223 [~~(5)(a) Subject to Subsection (5)(b), the tax under this section on moist snuff is imposed:]~~

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

225 [~~(ii) on the basis of the net weight of the moist snuff as listed by the manufacturer.]~~

226 [~~(b) If the net weight of moist snuff is in a quantity that is a fractional part of one ounce,~~
 227 ~~a proportionate amount of the tax described in Subsection (5)(a) is imposed:]~~

228 [~~(i) on that fractional part of one ounce; and]~~

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

231 (6)(a) A little cigar is taxed at the same tax rates as a cigarette is taxed under Subsection
 232 59-14-204(2).

- 233 (b)(i) Subject to Subsection (6)(b)(ii), a cigarette produced from a cigarette rolling
234 machine is taxed at the same tax rates as a cigarette is taxed under Subsection
235 59-14-204(2).
- 236 (ii) A tax under this Subsection (6)(b) is imposed on the date the cigarette is produced
237 from the cigarette rolling machine.
- 238 (7)(a) Moisture content of a tobacco product is determined at the time of packaging.
- 239 (b) A manufacturer who distributes a tobacco product in, or into, Utah, shall:
- 240 (i) for a period of three years after the last day on which the manufacturer distributes
241 the tobacco product in, or into, Utah, keep valid scientific evidence of the
242 moisture content of the tobacco product available for review by the commission,
243 upon demand; and
- 244 (ii) provide a document, to the person described in Subsection (3) to whom the
245 manufacturer distributes the tobacco product, that certifies the moisture content of
246 the tobacco product, as verified by the scientific evidence described in Subsection
247 (7)(b)(i).
- 248 (c) A manufacturer who fails to comply with the requirements of Subsection (7)(b) is
249 liable for the nonpayment or underpayment of taxes on the tobacco product by a
250 person who relies, in good faith, on the document described in Subsection (7)(b)(ii).
- 251 (d) A person described in Subsection (3) who is required to pay tax on a tobacco product:
- 252 (i) shall, for a period of three years after the last day on which the person pays the tax
253 on the tobacco product, keep the document described in Subsection (7)(b)(ii)
254 available for review by the commission, upon demand; and
- 255 (ii) is not liable for nonpayment or underpayment of taxes on the tobacco product due
256 to the person's good faith reliance on the document described in Subsection
257 (7)(b)(ii).

258 Section 5. Section **59-14-804** is amended to read:

259 **59-14-804 . Taxation of electronic cigarette substance, prefilled electronic**
260 **cigarette, alternative nicotine product, nontherapeutic nicotine device substance, and**
261 **prefilled nontherapeutic nicotine device.**

262 (1)(a) Beginning on July 1, 2020, a tax is imposed upon the following:

- 263 (i) an electronic cigarette substance; and
264 (ii) a prefilled electronic cigarette.

265 (b) Beginning on July 1, 2021, a tax is imposed upon the following:

- 266 (i) a nontherapeutic nicotine device substance; and

- 267 (ii) a prefilled nontherapeutic nicotine device.
- 268 (c) Beginning on July 1, 2021, a tax is imposed upon an alternative nicotine product.
- 269 (2)(a) The amount of tax imposed under Subsections (1)(a) and (b) is ~~[.56]~~ .71 multiplied
- 270 by the manufacturer's sales price.
- 271 (b)(i) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine
- 272 product that is a nicotine pouch product is the sum of:
- 273 (A) \$1; and
- 274 (B) 5 cents on each pouch contained within the alternative nicotine product in
- 275 excess of 20 pouches.
- 276 (ii) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine
- 277 product that is not a nicotine pouch product is .73 multiplied by the manufacturer's
- 278 sales price.
- 279 ~~[(b)(i) The tax under Subsection (1)(c) on an alternative nicotine product is~~
- 280 ~~imposed:]~~
- 281 ~~[(A) at a rate of \$1.83 per ounce; and]~~
- 282 ~~[(B) on the basis of the net weight of the alternative nicotine product as listed by~~
- 283 ~~the manufacturer.]~~
- 284 ~~[(ii) If the net weight of the alternative nicotine product is in a quantity that is a~~
- 285 ~~fractional part of one ounce, a proportionate amount of the tax described in~~
- 286 ~~Subsection (2)(b)(i)(A) is imposed:]~~
- 287 ~~[(A) on that fractional part of one ounce; and]~~
- 288 ~~[(B) in accordance with rules made by the commission in accordance with Title~~
- 289 ~~63G, Chapter 3, Utah Administrative Rulemaking Act.]~~
- 290 (3) If a product is sold in the same package as a product that is taxed under Subsection (1),
- 291 the tax described in Subsection (2) shall apply to the wholesale manufacturer's sale price
- 292 of the entire packaged product.
- 293 (4)(a) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user shall
- 294 pay the tax levied under Subsection (1) at the time that an electronic cigarette
- 295 substance, a prefilled electronic cigarette, an alternative nicotine product, a
- 296 nontherapeutic nicotine device substance, or a prefilled nontherapeutic nicotine
- 297 device is first received in the state.
- 298 (b) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user may not
- 299 resell an electronic cigarette substance, a prefilled electronic cigarette, an alternative
- 300 nicotine product, a nontherapeutic nicotine device substance, or a prefilled

301 nontherapeutic nicotine device to another distributor, another retailer, or a consumer
302 before paying the tax levied under Subsection (1).

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

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

308 Section 6. **Effective Date.**

309 This bill takes effect on July 1, 2026.