

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 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 Coordination Clause, Laws of Utah 2010, Chapter 407
- 59-14-804**, as last amended by Laws of Utah 2023, Chapter 300

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

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

59-14-102 . Definitions.

As used in this chapter:

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

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

97 (15) "Nicotine" means the same as that term is defined in Section 76-9-1101.

98 (16) "Nicotine pouch product" means an alternative nicotine product that:

99 (a) delivers nicotine in the form of a pouch containing a solid, gel, or paste; and

100 (b) is intended for human consumption or placement in the oral cavity for absorption
101 into the human body by any means other than inhalation.

102 [(16)] (17) "Nicotine product" means the same as that term is defined in Section 76-9-1101.

103 [(17)] (18) "Nontherapeutic nicotine device" means the same as that term is defined in
104 Section 76-9-1101.

105 [(18)] (19) "Nontherapeutic nicotine device substance" means the same as that term is
106 defined in Section 76-9-1101.

107 [(19)] (20) "Nontherapeutic nicotine product" means the same as that term is defined in
108 Section 76-9-1101.

109 [(20)] (21) "Prefilled electronic cigarette" means the same as that term is defined in Section
110 76-9-1101.

111 [(21)] (22) "Prefilled nontherapeutic nicotine device" means the same as that term is defined
112 in Section 76-9-1101.

113 [(22)] (23) "Retailer" means a person that:

114 (a) sells or distributes a cigarette, an electronic cigarette product, or a nicotine product to
115 a consumer in the state; or

116 (b) intends to sell or distribute a cigarette, an electronic cigarette product, or a nicotine
117 product to a consumer in the state.

118 [(23)] (24) "Stamp" means the indicia required to be placed on a cigarette package that
119 evidences payment of the tax on cigarettes required by Section 59-14-205.

120 [(24)] (25)(a) "Tobacco product" means a product made of, or containing, tobacco.

121 (b) "Tobacco product" includes:

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

123 (ii) a little cigar; or

124 (iii) moist snuff.

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

126 [(25)] (26) "Tribal lands" means land held by the United States in trust for a federally
127 recognized Indian tribe.

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

129 **59-14-204 . Tax basis -- Rate -- Future increase -- Cigarette Tax Restricted**
130 **Account -- Appropriation and expenditure of revenues.**

- 131 (1) Except for cigarettes described under Subsection 59-14-210(3), there is levied a tax
132 upon the sale, use, storage, or distribution of cigarettes in the state.
- 133 (2) The ~~[rates of the tax levied under Subsection (1) are, beginning on July 1, 2010:]~~ rate of
134 the tax levied under Subsection (1) is 11 cents on each cigarette.
135 ~~[(a) 8.5 cents on each cigarette, for all cigarettes weighing not more than three pounds~~
136 ~~per thousand cigarettes; and]~~
137 ~~[(b) 9.963 cents on each cigarette, for all cigarettes weighing in excess of three pounds~~
138 ~~per thousand cigarettes.]~~
- 139 (3) Except as otherwise provided under this chapter, the tax levied under Subsection (1)
140 shall be paid by any person who is the manufacturer, jobber, importer, distributor,
141 wholesaler, retailer, user, or consumer.
- 142 (4) The tax rates specified in this section shall be increased by the commission by the same
143 amount as any future reduction in the federal excise tax on cigarettes.
- 144 (5)(a) There is created within the General Fund a restricted account known as the
145 "Cigarette Tax Restricted Account."
- 146 (b) The Cigarette Tax Restricted Account consists of:
147 (i) the first \$7,950,000 of the revenues collected from a tax under this section; and
148 (ii) any other appropriations the Legislature makes to the Cigarette Tax Restricted
149 Account.
- 150 (c) For each fiscal year beginning with fiscal year 2011-12 and subject to appropriation
151 by the Legislature, the Division of Finance shall distribute money from the Cigarette
152 Tax Restricted Account as follows:
153 (i) \$250,000 to the Department of Health to be expended for a tobacco prevention
154 and control media campaign targeted towards children;
155 (ii) \$2,900,000 to the Department of Health to be expended for tobacco prevention,
156 reduction, cessation, and control programs;
157 (iii) \$2,000,000 to the University of Utah Health Sciences Center for the Huntsman
158 Cancer Institute to be expended for cancer research; and
159 (iv) \$2,800,000 to the University of Utah Health Sciences Center to be expended for
160 medical education at the University of Utah School of Medicine.
- 161 (d) In determining how to appropriate revenue deposited into the Cigarette Tax
162 Restricted Account that is not otherwise appropriated under Subsection (5)(c), the
163 Legislature shall give particular consideration to enhancing Medicaid provider
164 reimbursement rates and medical coverage for the uninsured.

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

166 **59-14-215 . Transitional inventory tax on cigarettes -- Penalties and interest for**
167 **failure to comply -- Credit or refund for outdated, unaffixed stamps.**

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

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

174 (i) that have a stamp that reflects that the tax paid on those cigarettes was paid at the
175 tax rate imposed under Section 59-14-204 that was applicable on June 30, [~~2010~~]
176 2026; and

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

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

179 (i) the tax imposed on those cigarettes under Section 59-14-204, beginning on July 1, [~~2010~~]
180 2026; and

181 (ii) the tax imposed on those cigarettes under Section 59-14-204 on or before June
182 30, [~~2010~~] 2026.

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

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

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

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

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

195 (b) A person who violates Subsection (6)(a) may be required by the commission to pay
196 as part of the tax, and in addition to any other penalty provided in this chapter, a
197 penalty of \$25 for each offense, to be assessed and collected by the commission in
198 accordance with Chapter 1, Part 14, Assessment, Collections, and Refunds Act.

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

201 Section 4. Section **59-14-804** is amended to read:

202 **59-14-804 . Taxation of electronic cigarette substance, prefilled electronic**
 203 **cigarette, alternative nicotine product, nontherapeutic nicotine device substance, and**
 204 **prefilled nontherapeutic nicotine device.**

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

206 (i) an electronic cigarette substance; and

207 (ii) a prefilled electronic cigarette.

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

209 (i) a nontherapeutic nicotine device substance; and

210 (ii) a prefilled nontherapeutic nicotine device.

211 (c) Beginning on July 1, 2021, a tax is imposed upon an alternative nicotine product.

212 (2)(a) The amount of tax imposed under Subsections (1)(a) and (b) is [.56] .71 multiplied
 213 by the manufacturer's sales price.

214 (b)(i) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine
 215 product that is a nicotine pouch product is the sum of:

216 (A) \$1; and

217 (B) 5 cents on each pouch contained within the alternative nicotine product in
 218 excess of 20 pouches.

219 (ii) The amount of tax imposed under Subsection (1)(c) on an alternative nicotine
 220 product that is not a nicotine pouch product is .73 multiplied by the manufacturer's
 221 sales price.

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

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

225 [(B) on the basis of the net weight of the alternative nicotine product as listed by
 226 the manufacturer:]

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

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

231 [(B) in accordance with rules made by the commission in accordance with Title
 232 63G, Chapter 3, Utah Administrative Rulemaking Act.]

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

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

241 (b) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user may not
242 resell an electronic cigarette substance, a prefilled electronic cigarette, an alternative
243 nicotine product, a nontherapeutic nicotine device substance, or a prefilled
244 nontherapeutic nicotine device to another distributor, another retailer, or a consumer
245 before paying the tax levied under Subsection (1).

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

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

251 **Section 5. Effective Date.**

252 This bill takes effect on July 1, 2026.