

1 **Nicotine Product Tax Amendments**
 2026 GENERAL SESSION
 STATE OF UTAH
Chief Sponsor: Tyler Clancy
 Senate Sponsor:

2 **LONG TITLE**

3 **General Description:**

4 This bill modifies taxes applicable to nicotine products.

5 **Highlighted Provisions:**

6 This bill:

- 7 ▶ increases the rate of the tax levied on cigarettes;
- 8 ▶ replaces a weight-based tax rate for moist snuff and alternative nicotine products with a
- 9 tax rate based on a percentage of the manufacturer's sales price;
- 10 ▶ repeals provisions providing for a tax rate reduction for certain modified risk tobacco
- 11 products; and
- 12 ▶ makes technical and conforming changes.

13 **Money Appropriated in this Bill:**

14 None

15 **Other Special Clauses:**

16 This bill provides a special effective date.

17 **Utah Code Sections Affected:**

18 AMENDS:

19 **59-14-204**, as last amended by Laws of Utah 2016, Chapter 168

20 **59-14-302**, as last amended by Laws of Utah 2020, Chapter 347

21 **59-14-804**, as last amended by Laws of Utah 2023, Chapter 300

22 REPEALS:

23 **59-14-104**, as enacted by Laws of Utah 2020, Chapter 347

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

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

26 **59-14-204 . Tax basis -- Rate -- Future increase -- Cigarette Tax Restricted**
 27 **Account -- Appropriation and expenditure of revenues.**

28 (1) Except for cigarettes described under Subsection 59-14-210(3), there is levied a tax

- 31 upon the sale, use, storage, or distribution of cigarettes in the state.
- 32 (2) The ~~[rates of the tax levied under Subsection (1) are, beginning on July 1, 2010:]~~ rate of
33 the tax levied under Subsection (1) is 18.5 cents on each cigarette.
- 34 ~~[(a) 8.5 cents on each cigarette, for all cigarettes weighing not more than three pounds~~
35 ~~per thousand cigarettes; and]~~
- 36 ~~[(b) 9.963 cents on each cigarette, for all cigarettes weighing in excess of three pounds~~
37 ~~per thousand cigarettes.]~~
- 38 (3) Except as otherwise provided under this chapter, the tax levied under Subsection (1)
39 shall be paid by any person who is the manufacturer, jobber, importer, distributor,
40 wholesaler, retailer, user, or consumer.
- 41 (4) The tax rates specified in this section shall be increased by the commission by the same
42 amount as any future reduction in the federal excise tax on cigarettes.
- 43 (5)(a) There is created within the General Fund a restricted account known as the
44 "Cigarette Tax Restricted Account."
- 45 (b) The Cigarette Tax Restricted Account consists of:
- 46 (i) the first \$7,950,000 of the revenues collected from a tax under this section; and
47 (ii) any other appropriations the Legislature makes to the Cigarette Tax Restricted
48 Account.
- 49 (c) For each fiscal year beginning with fiscal year 2011-12 and subject to appropriation
50 by the Legislature, the Division of Finance shall distribute money from the Cigarette
51 Tax Restricted Account as follows:
- 52 (i) \$250,000 to the Department of Health to be expended for a tobacco prevention
53 and control media campaign targeted towards children;
- 54 (ii) \$2,900,000 to the Department of Health to be expended for tobacco prevention,
55 reduction, cessation, and control programs;
- 56 (iii) \$2,000,000 to the University of Utah Health Sciences Center for the Huntsman
57 Cancer Institute to be expended for cancer research; and
- 58 (iv) \$2,800,000 to the University of Utah Health Sciences Center to be expended for
59 medical education at the University of Utah School of Medicine.
- 60 (d) In determining how to appropriate revenue deposited into the Cigarette Tax
61 Restricted Account that is not otherwise appropriated under Subsection (5)(c), the
62 Legislature shall give particular consideration to enhancing Medicaid provider
63 reimbursement rates and medical coverage for the uninsured.
- 64 Section 2. Section **59-14-302** is amended to read:

65 **59-14-302 . Tax basis -- Rates.**

66 (1) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

89 ~~[(6)]~~ (5)(a) A little cigar is taxed at the same tax rates as a cigarette is taxed under
90 Subsection 59-14-204(2).

91 (b)(i) Subject to Subsection ~~[(6)(b)(ii)]~~ (5)(b)(ii), a cigarette produced from a cigarette
92 rolling machine is taxed at the same tax rates as a cigarette is taxed under
93 Subsection 59-14-204(2).

94 (ii) A tax under this Subsection ~~[(6)(b)]~~ (5)(b) is imposed on the date the cigarette is
95 produced from the cigarette rolling machine.

96 ~~[(7)]~~ (6)(a) Moisture content of a tobacco product is determined at the time of packaging.

97 (b) A manufacturer who distributes a tobacco product in, or into, Utah, shall:

98 (i) for a period of three years after the last day on which the manufacturer distributes

- 99 the tobacco product in, or into, Utah, keep valid scientific evidence of the
 100 moisture content of the tobacco product available for review by the commission,
 101 upon demand; and
- 102 (ii) provide a document, to the person described in Subsection (3) to whom the
 103 manufacturer distributes the tobacco product, that certifies the moisture content of
 104 the tobacco product, as verified by the scientific evidence described in Subsection [
 105 ~~(7)(b)(i)~~] (6)(b)(i).
- 106 (c) A manufacturer who fails to comply with the requirements of Subsection [~~(7)(b)~~]
 107 (6)(b) is liable for the nonpayment or underpayment of taxes on the tobacco product
 108 by a person who relies, in good faith, on the document described in Subsection [
 109 ~~(7)(b)(ii)~~] (6)(b)(ii).
- 110 (d) A person described in Subsection (3) who is required to pay tax on a tobacco product:
 111 (i) shall, for a period of three years after the last day on which the person pays the tax
 112 on the tobacco product, keep the document described in Subsection [~~(7)(b)(ii)~~]
 113 (6)(b)(ii) available for review by the commission, upon demand; and
 114 (ii) is not liable for nonpayment or underpayment of taxes on the tobacco product due
 115 to the person's good faith reliance on the document described in Subsection [
 116 ~~(7)(b)(ii)~~] (6)(b)(ii).

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

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

- 121 (1)(a) Beginning on July 1, 2020, a tax is imposed upon the following:
 122 (i) an electronic cigarette substance; and
 123 (ii) a prefilled electronic cigarette.
- 124 (b) Beginning on July 1, 2021, a tax is imposed upon the following:
 125 (i) a nontherapeutic nicotine device substance; and
 126 (ii) a prefilled nontherapeutic nicotine device.
- 127 (c) Beginning on July 1, 2021, a tax is imposed upon an alternative nicotine product.
- 128 (2)(a) The amount of tax imposed under Subsections (1)(a) and (b) is .56 multiplied by
 129 the manufacturer's sales price.
- 130 (b) The amount of tax imposed under Subsection (1)(c) is .86 multiplied by the
 131 manufacturer's sales price.
- 132 [~~(b)(i) The tax under Subsection (1)(c) on an alternative nicotine product is imposed:]~~

- 133 ~~[(A) at a rate of \$1.83 per ounce; and]~~
134 ~~[(B) on the basis of the net weight of the alternative nicotine product as listed by~~
135 ~~the manufacturer.]~~
- 136 ~~[(ii) If the net weight of the alternative nicotine product is in a quantity that is a~~
137 ~~fractional part of one ounce, a proportionate amount of the tax described in~~
138 ~~Subsection (2)(b)(i)(A) is imposed:]~~
- 139 ~~[(A) on that fractional part of one ounce; and]~~
140 ~~[(B) in accordance with rules made by the commission in accordance with Title~~
141 ~~63G, Chapter 3, Utah Administrative Rulemaking Act.]~~
- 142 (3) If a product is sold in the same package as a product that is taxed under Subsection (1),
143 the tax described in Subsection (2) shall apply to the wholesale manufacturer's sale price
144 of the entire packaged product.
- 145 (4)(a) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user shall
146 pay the tax levied under Subsection (1) at the time that an electronic cigarette
147 substance, a prefilled electronic cigarette, an alternative nicotine product, a
148 nontherapeutic nicotine device substance, or a prefilled nontherapeutic nicotine
149 device is first received in the state.
- 150 (b) A manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user may not
151 resell an electronic cigarette substance, a prefilled electronic cigarette, an alternative
152 nicotine product, a nontherapeutic nicotine device substance, or a prefilled
153 nontherapeutic nicotine device to another distributor, another retailer, or a consumer
154 before paying the tax levied under Subsection (1).
- 155 (5)(a) The manufacturer, jobber, distributor, wholesaler, retailer, consumer, or user shall
156 remit the taxes collected in accordance with this section to the commission.
- 157 (b) The commission shall deposit revenues generated by the tax imposed by this section
158 into the Electronic Cigarette Substance and Nicotine Product Proceeds Restricted
159 Account created in Section 59-14-807.
- 160 Section 4. **Repealer.**
161 This bill repeals:
162 Section **59-14-104, Rate reduction for modified risk tobacco products.**
163 Section 5. **Effective Date.**
164 This bill takes effect on July 1, 2026.