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Fiscal Note

June 26, 2026 Ted Barnett, Senior Fiscal Analyst

S.198 (Act 148) – An act relating to the regulation of tobacco products and tobacco substitutes

As Enacted[1i]

Bill Summary

This bill, as recommended, would make changes to tobacco licenses, regulations, fines and penalties, including the following provisions:

S.198 would increase tobacco license fees for retailers and wholesale dealers

- decoupling liquor and tobacco licensing so that all retailers who sell liquor and tobacco would need to pay license fees for both products (currently, retailers selling both products only pay for a liquor license);
- increasing fees for tobacco retailer licenses from $110 to $150 and tobacco substitute endorsements from $50 to $75;
- moving wholesale dealer permits from the Department of Taxes to the Department of Liquor and Lottery (DLL) and changing the fee for a license from $0 to $1,245;
- changing fines and penalties for violations of tobacco laws;
- banning the sale of deceptive tobacco products and tobacco substitutes;
- creating a report on tobacco enforcement capacity; and
- creating a report on the taxation of tobacco substitutes and use of tax stamps.

Fiscal Impact

The primary impact of the bill results from proposed changes to tobacco licensing. Requiring all tobacco licensees to pay licensing fees and increasing those fees and the cost of tobacco substitute endorsements, would increase revenues to the Liquor Control Enterprise Fund as shown in Table 1 on the next page.

The bill would also move wholesale dealer licensure from the Department of Taxes to the DLL and require an annual fee of $1,245, which is in line with current wholesale liquor licenses at DLL. The wholesale dealer license is currently free. Based on the current number of wholesale dealers in Vermont, a $1,245 fee would result in approximately $50,000 in annual revenue for the Liquor Control Enterprise Fund starting in fiscal year 2028.

[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Table 1: **Tobacco License Fee Revenue Changes**

	Approximate Total Number of Licensees	Current Law Fee Amount	Current Law Fee Revenue	Proposed Fee Amount	Proposed Fee Revenue	Difference
Tobacco License	780; of which 730 have no assessed fee under current law	$110	$5,500	$150	$117,000	$111,500
Tobacco Substitute Endorsement	520	$50	$26,000	$75	$39,000	$13,000
Subtotal Tobacco Retailer Licenses (Starting FY 2027)			**$31,500**		**$156,000**	**$124,500**
Wholesale Licenses	40	$0	$0	$1,245	$49,800	$49,800
Total License Changes (Starting FY 2028)			**$31,500**		**$205,800**	**$174,300**

The bill would also add and make various changes to fines and penalties for violations of tobacco laws and regulations. JFO does not estimate the fiscal impact of changes to fines and penalties.

Certain civil penalties, such as penalties for furnishing tobacco to an individual under the age of 21 (7 V.S.A. § 1007), are handled by the Vermont Judiciary. Those penalties, minus a $12.50 administrative fee allocated to the Court Technology Special Fund, flow to the General Fund. Other administrative penalties in the bill are allocated to the Liquor Control Enterprise Fund. Revenues in the Liquor Control Enterprise Fund beyond what is needed for operations at DLL are transferred to the General Fund.

The bill would ban the sales of deceptive devices and make violations an unfair and deceptive trade practice under the Consumer Protection Act. By statute, money recovered by the Attorney General from consumer protection actions goes to the A&G Fees and Reimbursements – Court Order Special Fund.

Background and Details

The following sections have a fiscal impact.

Section 1: Amendments to Tobacco Product Licenses; Ban on Deceptive Devices

Currently, retailers who sell both tobacco and liquor products must apply for and maintain licenses for both products but only pay the license fee for selling liquor products. Retailers must get a tobacco substitute endorsement to sell those products and must pay the $50 fee regardless of whether they have a liquor license. Most tobacco licensees already have a liquor license, and fee revenue associated with tobacco licenses is limited. Information from DLL indicates that only approximately 50 tobacco licensees of 780 pay the current tobacco license fee of $110. Under this bill, all tobacco license holders would be required to pay for their tobacco licenses regardless of whether they have a liquor license.

Funds from recoveries by the Attorney General are used to support the budget of the Attorney General's Office, to replenish the Complex Litigation Special Fund, and are typically distributed to the General Fund through a direct app in the State's annual budget (generally about $2m). In fiscal year 2025, the AG-Fees & Reimbursements – Court Order Special Fund received about $2.8 million, of which approximately $1.7 million supported the AG's spending authority, and $77,228 replenished the Complex Litigation Special Fund. As recommended by the House, H.951 the Fiscal Year 2027 Appropriations Act, included a direct app of $2 million from the AG Fees Special Fund to the General Fund in fiscal year 2027. Similarly, JFO does not forecast the fiscal impact of recoveries by the Attorney General's Office.

Section 10: Tobacco Enforcement Capacity Report

Section 10 would create a report by the Department of Liquor and Lottery on enforcement of the State's

tobacco laws due January 15, 2027. This report would information on the number of compliance checks conducted in fiscal year 2026 for sellers of tobacco products and substitutes, and whether DLL's current enforcement staffing levels are sufficient.

Section 11: Taxation of Tobacco Substitutes and Tax Stamps Report

Section 11 would require a report by the Attorney General, in collaboration with the Department of Taxes and DLL and in consultation with other stakeholders on taxation of tobacco substitutes, on the use of tax stamps and ways to efficiently and effectively impose taxes on tobacco substitutes based on the concentration of nicotine they contain. The report would be due on or before January 15, 2027 to the House Committees on Commerce and Economic Development; on Human Services; and on Ways and Means and the Senate Committees on Economic Development, Housing and General Affairs; on Finance; and on Health and Welfare.

[i] *The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.*