



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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S.198 – An act relating to the regulation of tobacco products and tobacco substitutes

As recommended by the House Committee on Commerce and Economic Development¹

Bill Summary

This bill, as recommended, would make many different changes to tobacco licenses, regulations, fines and penalties, and allocations of license and other revenues, including the following provisions with a fiscal impact:

- 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; and
- creating a report on the taxation of tobacco substitutes and use of tax stamps.

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

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 (FY 2027)			\$31,500		\$156,000	\$124,500
Wholesale Licenses	40	\$0	\$0	\$1,245	\$49,800	\$49,800
Total License Changes (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. Penalties for possession by those under the age of 21 (7 V.S.A. § 1005) and furnishing tobacco to minors (7 V.S.A. § 1007) are handled by the Judicial Bureau of 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. JFO does not estimate the fiscal impact of changes to fines and penalties.

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 from consumer protection actions goes to a special fund, the A&G Fees and Reimbursements – Court Order Special Fund. Recoveries in that fund 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. 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.

Background and Details

The following sections have a fiscal impact.

Section 1: Amendments to Tobacco Product Licenses

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 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 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.

The bill would ban the sales of deceptive devices and make violations an unfair and deceptive trade practice under the Consumer Protection Act. Money recovered from consumer protection actions go to the A&G Fees and Restitutions – Court Order Special Fund and are used to support the budget of the Attorney General’s Office and to replenish the Complex Litigation Special Fund. Additional money after these uses is distributed to the General Fund through a direct app in the State’s annual budget. 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.

Section 11: Report

Section 11 would require a report by the Department of Taxes, in collaboration with DLL and the Office of the Attorney General 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 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.

¹ 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.