



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

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**Fiscal Note**

March 25, 2026

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

As recommended by the Senate Committee on Appropriations, Draft 2.1<sup>1</sup>

**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; 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 Fund as shown in Table 1:

*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
<b>Total</b>			<b>\$31,500</b>		<b>\$156,000</b>	<b>\$124,500</b>

<sup>1</sup> 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.

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.

Finally, the bill would make numerous changes to fines and penalties for violations of tobacco laws, which flow to the General Fund. JFO does not estimate the fiscal impact of changes to fines and penalties.

## Background and Details

The following sections have a fiscal impact.

### Section 1: Amendments to Tobacco Products Statutes

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.

### 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.

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<sup>i</sup> 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.