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**SENATE BILL NO. 992**

Offered January 11, 2023

Prefiled January 6, 2023

*A BILL to amend and reenact §§ 58.1-1021.01 and 58.1-1021.02 of the Code of Virginia, relating to tax on cigars.*

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 Patron—Ruff
 

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 Referred to Committee on Finance and Appropriations
 

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**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 58.1-1021.01 and 58.1-1021.02 of the Code of Virginia are amended and reenacted as follows:**

**§ 58.1-1021.01. Definitions.**

As used in this article, unless the context requires a different meaning:

"Actual cost" means the actual price paid by a remote retail seller for each individual stock keeping unit or SKU.

"Alternative nicotine product" means any noncombustible product containing nicotine that is not made of tobacco and is intended for human consumption, whether chewed, absorbed, dissolved, or ingested by any other means. "Alternative nicotine product" does not include any nicotine vapor product or any product regulated as a drug or device by the U.S. Food and Drug Administration (FDA) under Chapter V (21 U.S.C. § 351 et seq.) of the Federal Food, Drug, and Cosmetic Act.

"Cigar" means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco, other than any roll of tobacco that is a cigarette as such term is defined in § 58.1-1000.

"Consumer" means the person who is the end or final user of tobacco products.

"Distributor" means (i) any person engaged in the business of selling tobacco products in the Commonwealth who brings, or causes to be brought, into the Commonwealth from outside the Commonwealth any tobacco products for sale; (ii) any person who makes, manufactures, fabricates, or stores tobacco products in the Commonwealth for sale in the Commonwealth; (iii) any person engaged in the business of selling tobacco products outside the Commonwealth who ships or transports tobacco products to any person in the business of selling tobacco products in the Commonwealth; or (iv) any retail dealer in possession of untaxed tobacco products in the Commonwealth.

"Heated tobacco product" means a product containing tobacco that produces an inhalable aerosol (i) by heating the tobacco by means of an electronic device without combustion of the tobacco or (ii) by heat generated from a combustion source that only or primarily heats rather than burns the tobacco.

"Liquid nicotine" means a liquid or other substance containing nicotine in any concentration that is sold, marketed, or intended for use in a nicotine vapor product.

"Loose leaf tobacco" means any leaf tobacco that is not intended to be smoked, but shall not include moist snuff. Loose leaf tobacco weight unit categories shall be as follows:

1. "Loose leaf tobacco half pound-unit" means a consumer sized unit, pouch, or package containing at least 4 ounces but not more than 8 ounces of loose leaf tobacco, by net weight, produced by the manufacturer to be sold to consumers as a single unit and not produced to be divided or sold separately and containing one individual package.

2. "Loose leaf tobacco pound-unit" means a consumer sized unit, pouch, or package containing more than 8 ounces of loose leaf tobacco, by net weight, produced by the manufacturer to be sold to consumers as a single unit and not produced to be divided or sold separately and containing one individual package.

3. "Loose leaf tobacco single-unit" means a consumer sized unit, pouch, or package containing less than 4 ounces of loose leaf tobacco, by net weight, produced by the manufacturer to be sold to consumers as a single unit and not produced to be divided or sold separately and containing one individual package.

"Manufacturer" means a person who manufactures or produces tobacco products and sells tobacco products to a distributor.

"Manufacturer's representative" means a person employed by a manufacturer to sell or distribute the manufacturer's tobacco products.

"Manufacturer's sales price" means the actual price for which a manufacturer, manufacturer's representative, or any other person sells tobacco products to an unaffiliated distributor.

"Moist snuff" means a tobacco product consisting of finely cut, ground, or powdered tobacco that is not intended to be smoked but shall not include any finely cut, ground, or powdered tobacco that is

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59 intended to be placed in the nasal cavity.

60 "Nicotine vapor product" means any noncombustible product containing nicotine that employs a  
61 heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means,  
62 regardless of shape or size, that can be used to produce vapor from nicotine in a solution or other form.  
63 "Nicotine vapor product" includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic  
64 pipe, or similar product or device and any cartridge or other container of nicotine in a solution or other  
65 form that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo,  
66 electronic pipe, or similar product or device. "Nicotine vapor product" does not include any product  
67 regulated by the FDA under Chapter V (21 U.S.C. § 351 et seq.) of the Federal Food, Drug, and  
68 Cosmetic Act.

69 "Person" means any individual, corporation, partnership, association, company, business, trust, joint  
70 venture, or other legal entity.

71 "Pipe tobacco" means any tobacco that, because of its appearance, type, packaging, or labeling, is  
72 suitable for use and likely to be offered or purchased by consumers as tobacco to be smoked in a pipe.

73 "Remote retail sale" means any sale of cigars or pipe tobacco to a consumer in the Commonwealth  
74 when (i) the consumer submits the order for the sale by means of a telephone or other method of voice  
75 transmission, the mail, or the Internet or other online service, or the seller is otherwise not in the  
76 physical presence of the consumer when the request for the purchase or order is made, or (ii) the cigars  
77 or pipe tobacco are delivered to the consumer by common carrier, private delivery service, or other  
78 method of remote delivery, or the seller is not in the physical presence of the consumer when the buyer  
79 obtains possession of the cigars or pipe tobacco.

80 "Remote retail seller" means a person located within or outside of this state that makes remote retail  
81 sales of cigars or pipe tobacco.

82 "Retail dealer" means every person who sells or offers for sale any tobacco product to consumers at  
83 retail in a transaction other than a remote retail sale.

84 "SKU" means an individual stock keeping unit identifier used for tracking inventory.

85 "Tobacco product" or "tobacco products" means (i) ~~"cigar" as defined in §- 5702(a) of the Internal~~  
86 ~~Revenue Code, and as such section may be amended;~~ cigars (ii) "smokeless tobacco" as defined in  
87 § 5702(m) of the Internal Revenue Code, and as such section may be amended; or (iii) ~~"pipe tobacco" as~~  
88 ~~defined in §-5702(n) of the Internal Revenue Code, and as such section may be amended~~ pipe tobacco.  
89 "Tobacco products" shall also include loose leaf tobacco.

90 **§ 58.1-1021.02. Tax on tobacco products.**

91 A. In addition to all other taxes now imposed by law, there is hereby imposed a tax upon the  
92 privilege of selling or dealing in tobacco products in the Commonwealth by any person engaged in  
93 business as a distributor or remote retail seller thereof, at the following rates:

94 1. Upon each package of moist snuff, at the rate of \$0.18 per ounce with a proportionate tax at the  
95 same rate on all fractional parts of an ounce. The tax shall be computed based on the net weight as  
96 listed by the manufacturer on the package in accordance with federal law.

97 2. For purposes of the tax under this article, loose leaf tobacco shall be classified as loose leaf  
98 tobacco single-units, loose leaf tobacco half pound-units, and loose leaf tobacco pound-units. Such tax  
99 shall be imposed on the distributor for loose leaf tobacco as follows:

100 a. \$0.21 for each loose leaf tobacco single-unit;

101 b. \$0.40 for each loose leaf tobacco half pound-unit;

102 c. \$0.70 for each loose leaf tobacco pound-unit; and

103 d. For any other unit, pouch, or package of loose leaf tobacco, the tax shall be by net weight and  
104 shall be \$0.21 per unit, pouch, or package plus \$0.21 for each increment of 4 ounces or portion thereof  
105 that the loose leaf tobacco exceeds 16 ounces.

106 The tax for each unit, pouch, or package of loose leaf tobacco shall be in accordance with the  
107 provisions of subdivisions a. through d. only and regardless of sales price.

108 3. Upon tobacco products other than *cigars*, moist snuff, or loose leaf tobacco, at the rate of 10  
109 percent of the manufacturer's sales price of such tobacco products.

110 4. *Upon cigars, at the rate of 10 percent of the manufacturer's sales price of such cigars or \$0.30*  
111 *per cigar, whichever is less.*

112 Upon cigars and pipe tobacco products sold by remote retail sellers, the tax rates delineated in ~~this~~  
113 ~~subdivision 3 or 4~~ shall apply to:

114 (a) The actual cost; or

115 (b) If the actual cost is not available, the average of the actual cost over the 12 calendar months  
116 before January 1 of the year in which the sale occurs.

117 Such tax shall be imposed at the time the remote retail seller located within or outside the  
118 Commonwealth makes a remote retail sale to a consumer within the Commonwealth. It is the intent and  
119 purpose of this subdivision that the remote retail seller be liable for the tax. It is further the intent and  
120 purpose of this article to impose the tax once, and only once on all tobacco products, including cigars

121 and pipe tobacco sold in the Commonwealth.

122 Such tax shall be imposed on tobacco products (i) at the time of retail sale by a retail dealer or  
123 distributor; (ii) at the time the distributor makes, manufactures, or fabricates tobacco products in the  
124 Commonwealth for sale in the Commonwealth; or (iii) at the time the distributor ships or transports  
125 tobacco products to retailers in the Commonwealth to be sold by those retailers. It is the intent and  
126 purpose of this article that the distributor who first possesses the tobacco product subject to this tax in  
127 the Commonwealth shall be the distributor liable for the tax. It is further the intent and purpose of this  
128 article to impose the tax once, and only once on all tobacco products for sale in the Commonwealth.

129 B. No tax shall be imposed pursuant to this section upon tobacco products not within the taxing  
130 power of the Commonwealth under the Commerce Clause of the United States Constitution.

131 C. A distributor that calculates and pays the tax pursuant to subdivision A 1 or A 2 in good faith  
132 reliance on the net weight listed by the manufacturer on the package or on the manufacturer's invoice  
133 shall not be liable for additional tax, or for interest or penalties, solely by reason of a subsequent  
134 determination that such weight information was incorrect.