

**Senator Curtis S. Bramble** proposes the following substitute bill:

**CIGARETTE AND TOBACCO**

**AMENDMENTS**

2024 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Joseph Elison**

Senate Sponsor: Curtis S. Bramble

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**LONG TITLE**

**General Description:**

This bill modifies provisions addressing cigarettes, tobacco, and electronic cigarettes.

**Highlighted Provisions:**

This bill:

- ▶ requires a person that has to file a report with the State Tax Commission in accordance with the federal Prevent All Cigarette Trafficking Act regarding cigarettes, tobacco, and electronic cigarettes transferred into the state to file the report electronically; and

- ▶ modifies the definition of "units sold," for purposes of the tobacco Master Settlement Agreement, to include products sold by a distributor, retailer, or intermediary and to give the State Tax Commission rulemaking authority to determine the number of units sold in the state.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill provides a special effective date.

This bill provides retrospective operation.



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **59-22-202**, as last amended by Laws of Utah 2016, Chapter 348

29 ENACTS:

30 **59-14-105 (Effective 07/01/24)**, Utah Code Annotated 1953

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

33 Section 1. Section **59-14-105 (Effective 07/01/24)** is enacted to read:

34 **59-14-105 (Effective 07/01/24). Electronic reporting of report on product**  
35 **transferred into the state.**

36 A person that is required to file a report with the commission in accordance with 15  
37 U.S.C. Sec. 376 shall file the report electronically in a format approved by the commission.

38 Section 2. Section **59-22-202** is amended to read:

39 **59-22-202. Definitions.**

40 As used in this part:

41 (1) "Adjusted for inflation" means increased in accordance with the formula for  
42 inflation adjustment set forth in Exhibit C to the Master Settlement Agreement.

43 (2) "Affiliate" means a person who directly or indirectly owns or controls, is owned or  
44 controlled by, or is under common ownership or control with, another person. Solely for  
45 purposes of this definition, the terms "owns," "is owned" and "ownership" mean ownership of  
46 an equity interest, or the equivalent thereof, of 10% or more, and the term "person" means an  
47 individual, partnership, committee, association, corporation, or any other organization or group  
48 of persons.

49 (3) "Allocable share" means Allocable Share as that term is defined in the Master  
50 Settlement Agreement.

51 (4) "Cigarette" means any product that contains nicotine, is intended to be burned or  
52 heated under ordinary conditions of use, and consists of or contains:

53 (a) any roll of tobacco wrapped in paper or in any substance not containing tobacco; or

54 (b) tobacco, in any form, that is functional in the product, which, because of its  
55 appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be  
56 offered to, or purchased by, consumers as a cigarette; or

57 (c) any roll of tobacco wrapped in any substance containing tobacco that, because of its  
58 appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be  
59 offered to, or purchased by, consumers as a cigarette described in clause (a) of this definition.  
60 The term "cigarette" includes "roll-your-own" (i.e., any tobacco that, because of its appearance,  
61 type, packaging, or labeling is suitable for use and likely to be offered to, or purchased by,  
62 consumers as tobacco for making cigarettes). For purposes of this definition of "cigarette,"  
63 0.09 ounces of "roll-your-own" tobacco shall constitute one individual "cigarette."

64 (5) "Master Settlement Agreement" means the settlement agreement (and related  
65 documents) entered into on November 23, 1998, by the State and leading United States tobacco  
66 product manufacturers.

67 (6) "Qualified escrow fund" means an escrow arrangement with a federally or State  
68 chartered financial institution having no affiliation with any tobacco product manufacturer and  
69 having assets of at least \$1,000,000,000 where such arrangement requires that such financial  
70 institution hold the escrowed funds' principal for the benefit of releasing parties and prohibits  
71 the tobacco product manufacturer placing the funds into escrow from using, accessing, or  
72 directing the use of the funds' principal except as consistent with Subsection 59-22-203(2).

73 (7) "Released claims" means Released Claims as that term is defined in the Master  
74 Settlement Agreement.

75 (8) "Releasing parties" means Releasing Parties as that term is defined in the Master  
76 Settlement Agreement.

77 (9) (a) "Tobacco product manufacturer" means an entity that after the date of enactment  
78 of this Act directly (and not exclusively through any affiliate):

79 (i) manufactures cigarettes anywhere that such manufacturer intends to be sold in the  
80 United States, including cigarettes intended to be sold in the United States through an importer  
81 (except where such importer is an original participating manufacturer (as that term is defined in  
82 the Master Settlement Agreement) that will be responsible for the payments under the Master  
83 Settlement Agreement with respect to such cigarettes as a result of the provisions of Subsection  
84 II(mm) of the Master Settlement Agreement and that pays the taxes specified in Subsection  
85 II(z) of the Master Settlement Agreement, and provided that the manufacturer of such  
86 cigarettes does not market or advertise such cigarettes in the United States);

87 (ii) is the first purchaser anywhere for resale in the United States of cigarettes

88 manufactured anywhere that the manufacturer does not intend to be sold in the United States;  
89 or

90 (iii) becomes a successor of an entity described in Subsection (9)(a)(i) or (ii).

91 (b) "Tobacco product manufacturer" shall not include an affiliate of a tobacco product  
92 manufacturer unless such affiliate itself falls within any Subsection (9)(a)(i) through (iii).

93 (10) (a) "Units sold" means the number of individual cigarettes sold in the State by  
94 ~~[the] an applicable tobacco product manufacturer [(whether directly or through a distributor,~~  
95 ~~retailer or similar intermediary or intermediaries) during the year in question, as measured by~~  
96 ~~excise taxes collected by the State on packs (or "roll-your-own" tobacco containers)]~~ during the  
97 year in question for which the State is not prohibited from taxing under federal law.

98 (b) "Units sold" includes a cigarette or "roll your own" tobacco product sold by a  
99 tobacco product manufacturer through a distributor, a retailer, or a similar intermediary.

100 (c) The State Tax Commission [~~shall promulgate such regulations as are necessary to~~  
101 ~~ascertain the amount of State excise tax paid on the cigarettes of such tobacco product~~  
102 ~~manufacturer for each year]~~ may make rules establishing how to determine the number of units  
103 sold in the State.

104 Section 3. **Effective date.**

105 (1) Except as provided in Subsection (2), if approved by two-thirds of all the members  
106 elected to each house, this bill takes effect upon approval by the governor, or the day following  
107 the constitutional time limit of Utah Constitution, Article VII, Section 8, without the governor's  
108 signature, or in the case of a veto, the date of veto override.

109 (2) The actions affecting Section [59-14-105](#) take effect on July 1, 2024.

110 Section 4. **Retrospective operation.**

111 Section [59-22-202](#), Effective upon governor's approval, provides retrospective  
112 operation to January 1, 2024.