

**DEPARTMENT OF TAXATION  
2025 Fiscal Impact Statement**

1. **Patron** W. Chad Green

2. **Bill Number** HB 2488

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Local Nicotine Vapor Products Tax

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would authorize any locality to levy a tax on the sale or use of nicotine vapor products, including liquid nicotine, with no limitation as to the rate of the tax. The bill would also provide procedures for the administration of local taxes on nicotine vapor products and authorize any locality to enact an ordinance that delegates its administrative and enforcement authority over its nicotine vapor product tax to one agency or authority. This agency would hire staff and create rules necessary for administering and enforcing the tax ordinance.

Under current law, the state Tobacco Products Tax is imposed on nicotine vapor products and liquid nicotine, but they are not subject to taxation by localities.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

This bill could result in unknown administrative costs to localities that exercise the authority granted by the bill to impose a nicotine vapor product tax. It would have no impact on state administrative costs.

Revenue Impact

This bill may result in an unknown positive revenue impact on localities that that exercise the authority granted by the bill to impose a nicotine vapor products tax.

**9. Specific agency or political subdivisions affected:**

All Localities

**10. Technical amendment necessary: No.**

**11. Other comments:**

Local Cigarette Tax

Under current law, although any county, city, or town is authorized to levy taxes upon the sale or use of cigarettes, localities are not authorized to impose taxes on nicotine vapor products and liquid nicotine.

Any county, city, or town may enact an ordinance that delegates its administrative and enforcement authority to one agency or authority. The *Virginia Code* defines a “regional cigarette tax board” as a board established by a group of at least six member localities, with the purpose of administering local cigarette taxes on a regional basis.

State Tobacco Products Tax

The tax on tobacco products, including liquid nicotine and nicotine vapor products, is imposed upon the privilege of selling or dealing in tobacco products in the Commonwealth by any person engaged in business as a distributor or remote retail seller thereof. The tax is imposed once, and only once, on all tobacco products for sale in the Commonwealth.

The tax is imposed on tobacco products (i) at the time of retail sale by a retail dealer or distributor; (ii) at the time the distributor makes, manufacturers, or fabricates tobacco products in the Commonwealth for sale in the Commonwealth; or (iii) at the time the distributor ships or transports tobacco products to retailers in the Commonwealth to be sold by those retailers. A distributor shall be responsible for paying the tax on liquid nicotine at the time of sale to a retail dealer. For all other tobacco products, the distributor who first possesses the tobacco product subject to this tax within the Commonwealth is responsible for the tax.

No person may engage in the business of selling or dealing tobacco products or liquid nicotine or nicotine vapor products in the Commonwealth without first having received a license from the Department.

Item 3-5.19 of the 2024 Appropriation Act, beginning July 1, 2024, imposes the Tobacco Products Tax, upon liquid nicotine at rate of \$0.11 per milliliter of liquid.

Proposal

The bill would authorize any locality to levy a tax on the sale or use of nicotine vapor products with no limitation on the rate of the tax.

This bill would require any locality that increases its nicotine vapor products tax rate to allow, for one calendar year after the increase, a person with unsold inventory to pay the

tax increase on the unsold inventory by filing a return. The return must identify the amount of unsold inventory, the amount of tax paid on such unsold inventory, and the amount of tax due as a result of the tax rate increase. The bill would broaden the definition of “unsold inventory” for purposes of filing the return to also include net volume of nicotine vapor products held prior to the tax rate increase.

Additionally, the bill would (1) authorize any locality to impose a tax on nicotine vapor products to manage its administration and enforcement through an ordinance; 2) require the registration of any person who sell, store, or possess nicotine vapor products within or transporting nicotine vapor products within or into such locality, with the possibility of requiring a bond; and 3) provide that sellers or storers of nicotine vapor products with no business location or residence in the locality are subject to its legal jurisdiction and shall appoint a local representative for legal processes.

The bill would also allow any locality to impose the following on any distributor, wholesaler, vendor, retailer, or other person selling, storing, or possessing nicotine vapor products in relation to the nicotine vapor products tax:

- A penalty of up to 10% per month for any late payment.
- A penalty of up to 50% of the tax for fraud or evasion.
- Interest upon three quarters of 1% per month for tax overdue and unpaid.

This bill would authorize any locality to enact an ordinance that delegates its administrative and enforcement authority of nicotine vapor product tax to one agency or authority. This agency would hire staff and create rules necessary for administering and enforcing the tax ordinance.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

cc : Secretary of Finance

Date: 01/23/2025 KS  
HB2488F161