

# JLBC Fiscal Note

**BILL #** HB 4001

**TITLE:** alternative nicotine products; regulation.

**SPONSOR:** Weninger

**PREPARED BY:** Nate Belcher

**STATUS:** House Engrossed

## Description

The House Engrossed version of HB 4001 would establish licensure requirements under the Department of Liquor Licenses and Control (DLLC) for businesses manufacturing or distributing alternative nicotine products and would require a minimum purchase age of 21 years old, among other sales regulations.

The "alternative nicotine products" newly regulated by HB 4001 are generally synthetic nicotine products that are able to be chewed, ingested or inhaled. This definition excludes any medical drugs or products regulated by the federal Food and Drug Administration (FDA).

Current state law regulates the sale of standard tobacco products (such as cigarettes and chewing tobacco) and noncombustible heated liquid tobacco-derived products (known as vapor products). HB 4001 removes various statutory references related to the sale of tobacco-derived vapor products and instead also classifies those items as "alternative nicotine products" subject to DLLC regulation.

## Estimated Impact

The bill has 4 potential fiscal impacts:

- 1) Federal law already prohibits sales of alternative nicotine products to persons under the age of 21. If there is already 100% compliance with federal law, the bill would not affect the sales level of these products and the corresponding Transaction Privilege Tax collections (TPT). If there is less than 100% compliance and the bill increases compliance, the sales level of the products and the associated TPT collections would decline.
- 2) Under federal law, the receipt of the federal Substance Use Prevention, Treatment and Recovery Services Block Grant (SUBG) is tied to a state's enforcement of the 21 year old minimum age limit on sales of tobacco products. If Arizona is currently in compliance with this federal regulation, then the bill would not affect the state's level of federal grants. If Arizona is currently deemed non-compliant with this federal regulation, and the bill leads to sufficient enforcement and federal compliance, then the bill would increase the level of SUBG federal funding the state receives.
- 3) By creating distributor license and manufacturing license fees, the bill would increase deposits into the Liquor Licenses Fund. Since the fee levels are not established in the bill, DLLC would determine the fee levels.
- 4) DLLC would incur enforcement costs depending on how they implement the bill.

We lack sufficient information to determine the magnitude of these 4 impacts. The Department of Liquor Licenses and Control has not yet provided an estimate of the bill's impact.

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