

REFERENCE TITLE: vapor products; tax

State of Arizona  
Senate  
Fifty-third Legislature  
First Regular Session  
2017

# **SB 1517**

Introduced by  
Senators Mendez: Peshlakai; Representatives Blanc, Engel, Martinez,  
Powers Hannley, Salman

AN ACT

AMENDING SECTIONS 42-3001 AND 42-3052, ARIZONA REVISED STATUTES; RELATING  
TO LUXURY TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-3001, Arizona Revised Statutes, is amended to  
3 read:

4 42-3001. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Affix" and "affixed" include imprinting tax meter stamps on  
7 packages and individual containers as authorized by the department.

8 2. "Brand family" has the same meaning prescribed in section  
9 44-7111.

10 3. "Cider" means vinous liquor that is made from the normal  
11 alcoholic fermentation of the juice of sound, ripe apples, pears or other  
12 pome fruit, including flavored, sparkling and carbonated cider and cider  
13 made from condensed apple, pear or other pome fruit must, and that  
14 contains more than one-half of one percent of alcohol by volume but not  
15 more than seven percent of alcohol by volume.

16 4. "Cigar" means any roll of tobacco wrapped in leaf tobacco or in  
17 any substance containing tobacco other than any roll of tobacco that is a  
18 cigarette, as defined in paragraph 5, subdivision (b) of this section.

19 5. "Cigarette" means either of the following:

20 (a) Any roll of tobacco wrapped in paper or any substance not  
21 containing tobacco.

22 (b) Any roll of tobacco wrapped in any substance containing tobacco  
23 that, because of its appearance, the type of tobacco used in the filler or  
24 its packaging and labeling, is likely to be offered to or purchased by a  
25 consumer as a cigarette described in subdivision (a) of this paragraph.  
26 This subdivision shall be interpreted consistently with the classification  
27 guidelines established by the federal alcohol and tobacco tax and trade  
28 bureau.

29 6. "Consumer" means a person in this state that comes into  
30 possession of any luxury subject to the tax imposed by this chapter and  
31 that, on coming into possession of the luxury, is not a distributor  
32 intending to sell or distribute the luxury, retailer or wholesaler.

33 7. "Craft distiller" means a distiller in the United States or in a  
34 territory or possession of the United States that holds a license pursuant  
35 to section 4-205.10.

36 8. "Distributor" means any person that manufactures, produces,  
37 ships, transports or imports into this state or in any manner acquires or  
38 possesses for the purpose of making the first sale of the following:

39 (a) Cigarettes without Arizona tax stamps affixed as required by  
40 this article.

41 (b) Roll-your-own tobacco or other tobacco products on which the  
42 taxes have not been paid as required by this chapter.

43 9. "Farm winery" has the same meaning prescribed in section 4-101.

- 1           10. "First sale" means the initial sale or distribution in  
2 intrastate commerce or the initial use or consumption of cigarettes,  
3 roll-your-own tobacco or other tobacco products.
- 4           11. "Luxury" means any article, object or device on which a tax is  
5 imposed under this chapter.
- 6           12. "Malt liquor" means any liquid that contains more than one-half  
7 of one percent alcohol by volume and that is made by the process of  
8 fermentation and not distillation of hops or grains, but not including:  
9           (a) Liquids made by the process of distillation of such substances.  
10           (b) Medicines that are unsuitable for beverage purposes.
- 11           13. "Master settlement agreement" has the same meaning prescribed  
12 in section 44-7101.
- 13           14. "Microbrewery" has the same meaning prescribed in section  
14 4-101.
- 15           15. "Nonparticipating manufacturer" has the same meaning prescribed  
16 in section 44-7111.
- 17           16. "Other tobacco products" means tobacco products other than  
18 cigarettes and roll-your-own tobacco.
- 19           17. "Participating manufacturer" has the same meaning prescribed in  
20 section 44-7111.
- 21           18. "Person" means any individual, firm, partnership, joint  
22 venture, association, corporation, municipal corporation, estate, trust,  
23 club, society or other group or combination acting as a unit, and the  
24 plural as well as the singular number.
- 25           19. "Place of business" means a building, facility site or location  
26 where an order is received or where tobacco products are sold, distributed  
27 or transferred. Place of business does not include a vehicle.
- 28           20. "Retailer" means any person that comes into possession of any  
29 luxury subject to the taxes imposed by this chapter for the purpose of  
30 selling it for consumption and not for resale.
- 31           21. "Roll-your-own tobacco" means any tobacco that, because of its  
32 appearance, type, packaging or labeling, is suitable for use and likely to  
33 be offered to or purchased by consumers as tobacco for making cigarettes.  
34 This paragraph shall be interpreted consistently with the term as used in  
35 section 44-7101. This paragraph shall be interpreted consistently with  
36 the classification guidelines established by the federal alcohol and  
37 tobacco tax and trade bureau.
- 38           22. "Smoking tobacco" means any tobacco that, because of its  
39 appearance, type, packaging, labeling or promotion, is suitable for use  
40 and likely to be offered to or purchased by consumers as tobacco for  
41 making cigarettes or otherwise consumed by burning. Smoking tobacco  
42 includes pipe tobacco and roll-your-own tobacco.
- 43           23. "Spirituous liquor" means any liquid that contains more than  
44 one-half of one percent alcohol by volume, that is produced by  
45 distillation of any fermented substance and that is used or prepared for

1 use as a beverage. Spirituous liquor does not include medicines that are  
2 unsuitable for beverage purposes.

3 24. "Tobacco product manufacturer" has the same meaning prescribed  
4 in section 44-7101.

5 25. "Tobacco products" means all luxuries included in section  
6 42-3052, paragraphs 5 through ~~9~~ 10.

7 26. "Vehicle" means a device in, on or by which a person or  
8 property is or may be transported or drawn on the roads of this state  
9 regardless of the means by which it is propelled or whether it runs on a  
10 track.

11 27. "Vinous liquor" means any liquid that contains more than  
12 one-half of one percent alcohol by volume and that is made by the process  
13 of fermentation of grapes, berries, fruits, vegetables or other substances  
14 but does not include:

15 (a) Liquids in which hops or grains are used in the process of  
16 fermentation.

17 (b) Liquids made by the process of distillation of hops or grains.

18 (c) Medicines that are unsuitable for beverage purposes.

19 28. "Wholesaler" means a person that sells any spirituous, vinous  
20 or malt liquor taxed under this chapter to retail dealers or for the  
21 purposes of resale only.

22 Sec. 2. Section 42-3052, Arizona Revised Statutes, is amended to  
23 read:

24 42-3052. Classifications of luxuries; rates of tax

25 The taxes under this chapter are imposed at the following rates:

26 1. On each sealed container of spirituous liquor at the rate of  
27 three dollars per gallon and at a proportionate rate for any lesser or  
28 greater quantity than one gallon.

29 2. On each container of vinous liquor, except cider, of which the  
30 alcoholic content is not greater than twenty-four ~~percent~~ PERCENT by  
31 volume at the rate of eighty-four cents per gallon and at a proportionate  
32 rate for any lesser or greater quantity than one gallon.

33 3. On each container of vinous liquor of which the alcoholic  
34 content is greater than twenty-four ~~percent~~ PERCENT by volume, containing  
35 eight ounces or less, twenty-five cents, and for each eight ounces for  
36 containers containing more than eight ounces, twenty-five cents.

37 4. On each gallon of malt liquor or cider, sixteen cents, and at a  
38 proportionate rate for any lesser or greater quantity than one gallon.

39 5. On each cigarette, nine-tenths cent.

40 6. On smoking tobacco, snuff, fine cut chewing tobacco, cut and  
41 granulated tobacco, shorts and refuse of fine cut chewing tobacco, and  
42 refuse, scraps, clippings, cuttings and sweepings of tobacco, excluding  
43 tobacco powder or tobacco products used exclusively for agricultural or  
44 horticultural purposes and unfit for human consumption, two cents per  
45 ounce or major fraction of an ounce.

1           7. On all cavendish, plug or twist tobacco, one-half cent per ounce  
2 or fractional part of an ounce.

3           8. On each twenty small cigars or fractional part weighing not more  
4 than three pounds per thousand, four cents.

5           9. On cigars of all descriptions except those included in paragraph  
6 8 of this section, made of tobacco or any tobacco substitute:

7           (a) If manufactured to retail at not more than five cents each, two  
8 cents on each three cigars.

9           (b) If manufactured to retail at more than five cents each, two  
10 cents on each cigar.

11           10. ON VAPOR PRODUCTS, AS DEFINED IN SECTION 13-3622, INCLUDING  
12 E-CIGARETTES, CARTRIDGES AND E-JUICE CONTAINING NICOTINE, NINETY-FIVE  
13 PERCENT OF THE WHOLESALE COST OF THE PRODUCT.

14           Sec. 3. Requirements for enactment; two-thirds vote

15           Pursuant to article IX, section 22, Constitution of Arizona, this  
16 act is effective only on the affirmative vote of at least two-thirds of  
17 the members of each house of the legislature and is effective immediately  
18 on the signature of the governor or, if the governor vetoes this act, on  
19 the subsequent affirmative vote of at least three-fourths of the members  
20 of each house of the legislature.