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Message from the National Chair

A big HOWDY from Texas as the Spring weather has arrived and brought rain for much of the State and the Bluebonnets are in full bloom. The Central and Western Regions held their regional meetings in March and April. There is still time to make plans to attend the Northeast and Southern Regions meetings this month and in June.

The January Uniformity meeting was well attended in Columbia, South Carolina, with the committee chairs and subcommittee co-chairs giving interesting presentations. Welcome to Green Bay for the Uniformity meeting! We hope you will enjoy the local atmosphere and the networking opportunities you have in both government and industry.

which begin on August 16, immediately followed by the annual meeting with activities on August 18th in Mobile, Alabama.

Hope to see y'all there!

Respectfully yours,

Justin A. Scott

We welcome Kevin Richard who recently joined FTA after the retirement of Cindy Anders. Kevin showed up just in time to jump into the initial planning session for the annual conference. He barely had any time to boot up his laptop before being asked to join the planning session with the national officers and past chairs. Kevin most recently served as the Louisiana DOR Secretary after beginning his career in that agency as an auditor and working his way to the top.

Participating in FTA makes a big difference! There are multiple opportunities to be involved by participating in regional meetings, tobacco training classes, uniformity meetings and at the annual meeting. Please do not hesitate to contact any of the national or regional officers, uniformity committee members or FTA members to express your desire and interest in becoming a volunteer.

Your continued participation is encouraged and needed! Mark your calendars for our next uniformity meeting

Welcome aboard, Kevin!

Upcoming Meetings:

May Uniformity
May 7-8, 2024
Green Bay, WI

Northeast Region
May 22-23, 2024
Concord, NH

FTA Annual
June 9-12, 2024
Long Beach, CA

Southern Region
June 26-27, 2024
Greenville, SC

August Uniformity
August 16-17, 2024
Mobile, AL

Tobacco Annual
August 18-21, 2024
Mobile, AL

Tobacco Basic Training
October 20-24, 2024
TBD



Message from Uniformity Committee Co-Chairs

Jason and I are looking forward to seeing everyone in Green Bay, WI for the Uniformity meeting. First, we would like to congratulate Cindy Anders -Robb on her retirement and thank her for everything she has done for FTA and for uniformity. She was the driving force for uniformity and will be sorely missed by everyone. As uniformity moves forward, Jason and I would like to welcome Kevin Richard to the FTA team and to the uniformity section. We are looking forward to working with Kevin to make uniformity the best it can be for everyone involved. At the January meeting in Columbia, SC we had an excellent presentation on the health and safety on Cannabis.

This was followed by our Cannabis committee, and they dove into the topics of Cannabis program updates for states, and current trends on Cannabis synthetics. The Cannabis committee always does a wonderful job, and we look forward to seeing what topics they have in store for us at the meeting in Green Bay.

Our Compliance committee covered several topics such as Illicit activity in vapor, new flavor bans, new products hitting the market, and compliance case study. As always, the Compliance committee continues to hit excellent topics that affect all of us today.

Our Communication and Legislation committee did a fantastic job of going thru the legislation update, vape directories, white papers, and of course the Tobacco Tax Information by State (TTIBS) we cannot say enough about the job the committee does and look forward to their topics at the upcoming meeting.

The forms and technology subcommittee are the unsung heroes of the uniformity project. At January's meeting they had an interesting presentation on a new timeline of what you need to look forward to when going to uniformity. There was also discussion on the possibility of sample data for states looking to go uniformity and a discussion on the technology survey.

We are looking forward to seeing what they have in store for the meeting in Green Bay. We cannot thank the committees enough for their time, hard work, and excellence. We also want to thank everyone that comes to the uniformity meetings... YOU.... make uniformity what it is, and we look forward to seeing everyone in Green Bay.

Jason and Tim

Compliance Subcommittee Update

We had a great uniformity meeting in Tucson, Arizona, last August with lots of interesting presentations and time for networking.

The compliance update included:

- Flavor Bans and the number of States where legislation failed in 2022 and 2023;
- Alternative Nicotine Tobacco Products such as IQOS, ENDS, Dissolvables, Hookah, ON! & Zyn;
- Confiscation or Seizure in Place, Storage and the High Costs for Destruction of Vape Liquids;
- Food & Drug Administration (FDA) updates;
- Pre-Market Tobacco Application (PMTA) process with the FDA and where those applications stand;
- Modified Risk Tobacco Products (MRTP) & proposed FDA rules;
- Compliance Issues reviewed TX case studies on untaxed hookah and counterfeit cigarettes and tax stamps.

The uniformity compliance subcommittee provided FDA and Industry updates and compliance case studies at the last meeting in August. The FDA has been recently stepping up enforcement on addressing illicit Vapor products in the marketplace. We will provide a more robust update on what some of those enforcement actions have been in our meeting in January. We can also take a deeper look at states that have Vapor Directories and State engagement from Industry to help increase enforcement against illicit products in the marketplace. Deeper dive on what we are seeing in Flavor Ban states and localities.

One case study involved a brief slide presentation with photos of a tobacco seizure. The untaxed tobacco which was being stored in a large storage unit and involved multiple licensed retailers purchasing untaxed OTP from this location to sell in their retail stores. A second case study also provided a brief slide presentation with photos of untaxed hookah and OTP being sold at an unlicensed retail location and their failure to keep records. Participants worked together in small groups to discuss ways to address these identified compliance issues between state and industry perspectives.

Justin & Jim

Forms Subcommittee Update

Hello and welcome to Green Bay!!

Because of our AWESOME predecessors, we usually don't have a lot of things to discuss for the Forms Sub-Committee. However, we have received suggestions for the PA-1 and PA-2 forms and instructions that we will be discussing and voting on at this meeting. For the new folks, we will briefly go over the current forms and instructions that we have.

Casey & Marci



House of Cannabis

Research and Drug Approval Process

The FDA understands that there is increasing interest in the potential utility of cannabis for a variety of medical conditions, as well as research on the potential adverse health effects from use of cannabis. To date, the FDA has not approved a marketing application for cannabis for the treatment of any disease or condition. The agency has, however, approved one cannabis-derived drug product: Epidiolex (cannabidiol), and three synthetic cannabis-related drug products: Marinol (dronabinol), Syndros (dronabinol), and Cesamet (nabilone). These approved drug products are only available with a prescription from a licensed healthcare provider. Importantly, the FDA has not approved any other cannabis, cannabis-derived, or cannabidiol (CBD) products currently available on the market.

The FDA has an important role to play in supporting scientific research into the medical uses of cannabis and its constituents in scientifically valid investigations as part of the agency's drug review and approval process. To conduct clinical research that can lead to an approved new drug, including research using materials from plants such as cannabis, researchers need to work with the FDA and submit an IND application to CDER. The IND application process gives researchers a path to follow that includes regular interactions with the FDA to support efficient drug development while protecting the patients who are enrolled in the trials. An IND includes protocols describing proposed studies, the qualifications of the investigators who will conduct the clinical studies, and assurances of informed consent and protection of the rights, safety, and welfare of the human subjects. The FDA reviews the IND to ensure that the proposed studies, generally referred to as "clinical trials," do not place human subjects at an unreasonable risk of harm. The FDA also requires obtaining the informed consent of trial subjects and human subject protection in the conduct of the clinical trials. For research intending to develop an animal drug product, researchers would establish an INAD file with the Center for Veterinary Medicine (CVM) to conduct their research, rather than an IND with CDER.

The FDA has an important role to play in supporting scientific research into the medical uses of cannabis and its constituents in scientifically valid investigations as part of the agency's drug review and approval process. As a part of this role, the FDA supports those in the medical research community who intend to study cannabis by:

- ◇ Providing information on the process needed to conduct clinical research using cannabis.
 - ◇ Providing information on the specific requirements needed to develop a human drug that is derived from a plant such as cannabis. In December 2016, the FDA updated its *Guidance for Industry: Botanical Drug Development*, which provides sponsors with guidance on submitting investigational new drug (IND) applications for botanical drug products. The FDA also has issued "*Cannabis and Cannabis-Derived Compounds: Quality Considerations for Clinical Research, Draft Guidance for Industry.*"
 - ◇ Providing specific support for investigators interested in conducting clinical research using cannabis and its constituents as a part of the IND or investigational new animal drug (INAD) process through meetings and regular interactions throughout the drug development process.
 - ◇ Providing general support to investigators to help them understand and follow the procedures to conduct clinical research through the FDA Center for Drug Evaluation and Research (CDER) Small Business and Industry Assistance group.
-

How Can You Become More Involved In Uniformity?

- ◆ Regularly check for updates at FTA's updated Tobacco Uniformity website at taxadmin.org.
- ◆ Talk to other states and industry members.
- ◆ Attend meetings!



Things to consider.....

If you don't currently require cigarette and/or tobacco returns, and/or PACT Act reports to be filed electronically, do you know when your state is expected to do so?

Has your revenue staff coordinated with your AG's staff to ensure the uniform schedules will also fulfill all of their filing requirements? If you're from the AGO, reach out to your Revenue Department.

Tobacco news you can use...

Philip Morris nears Texas launch of flagship heated tobacco device

Philip Morris International ([PM.N](#), [opens new tab](#)) is preparing to launch its flagship heated tobacco device IQOS in Austin, Texas, indicating it will be the first testing ground for its U.S. entry, job adverts on LinkedIn show. IQOS, the top selling heated tobacco device globally, sits at the core of the world's biggest tobacco company's efforts to transform its image from a purveyor of cigarettes to a driving force behind the switch to healthier options. Investors are waiting to see if Philip Morris (PMI) can create a market for heated tobacco in the United States, where vaping currently dominates. The country offers PMI a substantial base of new users and, potentially, a hefty new income stream that could prove transformative as it tries to generate an increasing proportion of revenue from products other than cigarettes. PMI spent the vast majority of \$10.7 billion of expenditure on smoking alternatives between 2008 and 2022 on IQOS' development.

The Marlboro maker had [said](#) it planned to launch the device in four cities in two U.S. states starting with one city in the second quarter, ahead of a broader roll-out likely in 2025. However it had not released further details, including around which cities or states it is targeting. Whether or not IQOS takes off in the United States will be significant given the market's size. Euromonitor estimates total U.S. nicotine sales, excluding nicotine replacement therapies, were worth some \$143.6 billion in 2022. While cigarettes accounted for the vast majority of that, Euromonitor forecasts their value will shrink by 30% by 2027. The value of vapes, heated tobacco products and other alternatives will rise by 36% over the same period, it says.

Products like IQOS work by heating up sticks of ground up tobacco without burning them in an attempt to avoid the harmful chemicals released via combustion. Heated tobacco products have so far been largely absent from the U.S. market aside from limited sales of IQOS managed by PMI's former parent, Altria, and another product offered on a limited scale by British American Tobacco. PMI [paid](#) Altria \$2.7 billion for the rights to market IQOS in the United States in 2022. BAT has subsequently [cast doubt](#) on the category's potential in the country, where vaping and other alternatives are already well established.

Texas offers an interesting trial market given its broad demographics, ranging from super rural to highly urban, said Brett Cooper, managing partner and analyst at Consumer Edge, an equity research firm. He added that diverse cities like Austin, Houston and Dallas provide access to a wide range of consumer groups.

Tobacco taxes in the state are also relatively low, according to Centers for Disease Control and Prevention (CDC) data. The excise tax rate on a pack of cigarettes in Texas stood at \$1.41 in September 2023, the data shows - far higher than the 17 cents in Missouri but also well below the more than \$5 per pack in New York.

Texas introduced new laws around e-cigarettes in January, restricting devices that resemble food products like candy or fruit juice, or that include a symbol or celebrity image targeted at minors or depict cartoon-like fictional characters. PMI bets IQOS can win a 10% share of U.S. tobacco and heated tobacco unit volume by around 2030. Ahead of IQOS' launch, the company has also been [building](#) out its lobbying firepower across the United States. The company wants two thirds of its revenue to come from "smoke-free" products by 2030.



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Technology Subcommittee Update

Isa and I are thrilled to extend a warm welcome to the May 2024 Tobacco Uniformity meeting, where the Technology Subcommittee will play a pivotal role. Allow me to introduce myself: I am Raymond Chu, the Senior Tax Manager at Core-Mark. Joining me is Isa Momoh, who currently serves as the Excise Tax Division/Information Systems Manager for the North Carolina Department of Revenue. Isa brings a wealth of knowledge and expertise to our team.

During this meeting, our subcommittee will delve into the journey toward uniformity, exploring strategies that will guide you along this path. We'll connect with individuals who have successfully achieved uniformity, gaining valuable insights into the steps they took before, during, and after the transition. Our discussions will cover various topics, including obtaining approval, implementing subsequent actions, and learning from their overall journey toward uniformity.

Specifically, let's highlight Iowa, which has been diligently transitioning from paper filing to uniform electronic filing since our last meeting in January 2024. We've worked closely with them, and they are now on the cusp of publishing their schema—a crucial roadmap for taxpayers. Additionally, we're excited to share that Illinois and Utah have also initiated the process.

We eagerly anticipate your active participation in this meeting. Your presence and contributions will undoubtedly enhance our collective efforts as we work toward the goals of the Uniformity Committee.

Isa and Ray

Communications and Legislation Subcommittee Update

Welcome to Green Bay!

The Tobacco Tax Information by State (TTIBS) book has become a great resource for states, industry, and everyone in-between. At the January meeting, one question was added to the book for this year. We have sent out the question and asked for any updates needed, and we'll review who has responded during the May meeting. We ask all states to reply no later than June so we can update the website by the August Uniformity. To view the most recent version, please visit www.taxadmin.org/tobacco-tax-uniformity-project.

There are three white papers underway: Alternative Nicotine Products, Flavor Bans, and Vapor Directory. This is great progress compared to recent years, and there are so many more that could be done. If anyone would like to volunteer for one or would like topic suggestions, please let us know.

As always, we ask that States come prepared to talk about any known legislation changes that may occur, things likely to pass, or recent changes made effective. This helps all attendees be aware of what's to come and better understand what works and problem areas.

Cheyenne and JD

Communications and Legislation Subcommittee Update

White Paper Discussed Topics:

Flavor Bans

Alternative Nicotine Products

Delivery/Remote Sales



If you would be interested in participating in a white paper topic, please contact the chair.

Cannabis Subcommittee

Welcome to the Federation of Tax Administrators Uniformity meeting. As we continue to explore the evolving landscape of cannabis tax administration, I invite you to engage with us, meet those you haven't already, and take a moment to introduce yourself. Our objective is to inform and understand how legal cannabis tax administration is impacting states, or may impact them in the future.

If you have any questions or wish to discuss the latest developments in the cannabis market and strategies in tax administration, please feel free to approach us. Your input is very welcome as we navigate these complex cannabis taxation issues together. Enjoy the meeting and the opportunity it presents to expand your professional network and knowledge.

Alberto and Emily

FDA News

The premium cigar industry recently declared victory in the fight against oversight by the U.S. Food and Drug Administration. Celebrations may have been premature.

The U.S. Department of Justice has filed an appeal on behalf of the FDA for a decision handed down from the United States District Court for the District of Columbia that fully vacated the Deeming Rule as it applied to premium cigars, according to media reports.

The lawsuit was filed by the Cigar Association of America, the Cigar Rights of America (CRA) and the Premium Cigar Association. The case focused in part on the rulemaking process, which requires the FDA to inform the public about upcoming regulations and solicit feedback on those proposed rules.

In last month's decision in *Cigar Association of America et al. v. United States Food and Drug Administration*, Judge Amit P. Mehta made a sweeping, albeit expected, ruling that granted relief to the three cigar industry trade groups that sued the regulatory agency in 2016 on behalf of the premium cigar industry.

The news confirms industry fears that warning labels, premarket tobacco product application (PMTA) review of cigars and other limitations that have impeded the ability of cigarmakers are still a possibility.

Recently, the FDA acknowledged the decision and one of its impacts, telling cigar companies that it did not plan to assess user fees for "premium cigars" sold during Q4 FY23.

The Department of Justice, which represents FDA on legal matters, had 60 days to appeal the ruling. It's unclear whether the agency will ask a court for a stay, which could reenact the deeming regulations for "premium cigars" as the appeal process works itself out.

Training & Development Opportunities

More information regarding training coming soon.

Tobacco Tax Section Officers

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Justin Scott, Texas

National Vice Chair

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www.taxadmin.org

**This edition of The Leaf Sheet edited
by
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FTA Tobacco Tax Section
Uniformity Committee
Mission Statement

Provide an opportunity for government and industry to partner for the efficient and effective reporting and remittance of tobacco taxes, to minimize tobacco tax evasion, and to act as an information resource to stakeholders.

