

**HB145 ENGROSSED**



1      HB145  
2      YMEYFN6-2  
3      By Representative Lee  
4      RFD: Ways and Means General Fund  
5      First Read: 13-Jan-26  
6      PFD: 09-Jan-26



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A BILL

TO BE ENTITLED

## AN ACT

9 Relating to interstate warehouser tobacco tax; to amend  
10 Sections 40-25-1, 40-25-4.1, 40-25-8, as last amended by Act  
11 2025-448, 2025 Regular Session, 40-25-8.1, as last amended by  
12 Act 2025-448, 2025 Regular Session, 40-25-16.1, 40-25-18, as  
13 last amended by Act 2025-448, 2025 Regular Session, and  
14 40-25-25, as last amended by Act 2025-448, 2025 Regular  
15 Session, Code of Alabama 1975; to define an interstate  
16 warehouser, to require an interstate warehouser permit issued  
17 by the Department of Revenue; to add Section 40-25-15.1 to the  
18 Code of Alabama 1975; to provide application and enforcement  
19 provisions; to provide for penalties for noncompliance; and to  
20 make nonsubstantive, technical revisions to update the  
21 existing code language to current style.

22 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

23                   Section 1. Sections 40-25-1, 40-25-4.1, 40-25-8, as  
24                   last amended by Act 2025-448, 2025 Regular Session, 40-25-8.1,  
25                   as last amended by Act 2025-448, 2025 Regular Session,  
26                   40-25-16.1, 40-25-18, as last amended by Act 2025-448, 2025  
27                   Regular Session, and 40-25-25, as last amended by Act  
28                   2025-448, 2025 Regular Session, Code of Alabama 1975, are



29 amended to read as follows:

30 "§40-25-1

31 For the purposes of this article, the following terms  
32 shall have the ~~respective~~ following meanings ascribed by this  
33 section:

34 ~~(1)~~ (10) WHOLESALE DEALER AND JOBBER. Persons, ~~firms~~, or  
35 ~~corporations who~~ that buy tobacco products direct from the  
36 manufacturer or an affiliate of the manufacturer and sell at  
37 wholesale only, any one or more of the articles taxed ~~herein~~  
38 under this article to licensed wholesale dealers, jobbers,  
39 semijobbers, and retail dealers for the purpose of resale  
40 only.

41 ~~(2)~~ (7) RETAIL DEALER. Every person, ~~firm~~, or  
42 ~~corporation~~, other than a wholesale dealer or jobber, ~~who~~ that  
43 sells or offers for sale any one or more of the articles taxed  
44 ~~herein~~ under this article, ~~irrespective~~ regardless of quantity  
45 or amount, or the number of sales; and all persons operating  
46 under a retail dealer's license.

47 ~~(3)~~ (8) SEMIJOBBER. ~~Persons, firms, or corporations~~ A  
48 person who ~~buy~~ buys tobacco products from permitted  
49 wholesalers or ~~obtain~~ obtains tobacco from any other source  
50 and sell ~~sells~~ at wholesale any one or more of the articles  
51 ~~taxed~~ herein under this article to licensed retail dealers for  
52 ~~the purpose of~~ resale only.

53 ~~(4)~~ (9) STAMPS. The ~~stamp~~ or stamps ~~by the use of~~  
54 through which the tax levied under this article ~~is~~ are paid  
55 and shall be designated Alabama Revenue Stamps.

56 ~~(5)~~ (3) CIGARS, CHEROOTS, or ~~STOGIES~~, ETC. A roll for



57 smoking that is of any size or shape, ~~and~~ that is made wholly  
58 or in part of tobacco or any tobacco substitute ~~therefor~~,  
59 irrespective regardless of whether the tobacco is pure, ~~or~~  
60 flavored, adulterated, ~~or~~ mixed with any other ingredient, ~~if~~  
61 ~~the roll has~~ with a wrapper made wholly or in part of  
62 tobacco.

63 ~~(6)~~ (5) HEATED TOBACCO PRODUCT. A product other than a  
64 cigarette intended to be heated, containing tobacco that  
65 produces an inhalable aerosol by heating the tobacco by means  
66 of a device without combustion of the tobacco or by heat  
67 generated from a combustion source that only or primarily  
68 heats rather than burns the tobacco.

69 ~~(7)~~ (1) CIGARETTE ~~or~~ CIGARETTES. The same meaning as  
70 defined in Section 6-12-2 ~~and includes~~ including a cigarette  
71 ~~or~~ cigarettes intended to be heated.

72 ~~(8)~~ (2) CIGARETTE ~~OR~~ CIGARETTES INTENDED TO BE HEATED. A  
73 cigarette containing tobacco that produces an inhalable  
74 aerosol: (i) by heating the tobacco by means of an electronic  
75 device without combustion of the tobacco; or (ii) by heat  
76 generated from a combustion source that only or primarily  
77 heats rather than burns the tobacco.

78 (4) DEPARTMENT. The Alabama Department of Revenue.

79 (6) INTERSTATE WAREHouser. A person who purchases  
80 tobacco products directly from the manufacturer or an  
81 affiliate of the manufacturer and, solely for resale, sells  
82 any one or more of the articles taxed under this article to a  
83 permitted wholesale dealer who is qualified under Section  
84 40-25-16."



85 "§40-25-4.1

86 (a) Notwithstanding any other laws, the only persons or  
87 businesses who may be licensed to buy and affix ~~the~~ tax stamps  
88 of the Alabama Department of Revenue required by law to  
89 packages of tobacco products are: (i) wholesalers and  
90 distributors who buy the tobacco products direct from the  
91 manufacturer, or an affiliate of the manufacturer; or (ii)  
92 wholesalers who purchase tobacco products directly from an  
93 interstate warehouse permitted by the State of Alabama.  
94 ~~except that the~~ The manufacturer of the product may be allowed  
95 to affix the stamps to a tobacco product for the following  
96 purposes:

- 97 (1) Trademark registration.
- 98 (2) Promotions of the product.
- 99 (3) Test-marketing the product.

100 (b) ~~In order for~~ For a manufacturer to affix tax stamps  
101 to a tobacco product for a purpose described in subsection  
102 (a), the manufacturer shall give at least four weeks' prior  
103 written notice to the Commissioner of the ~~Department of~~  
104 ~~Revenue department of~~ such the manufacturer's intention, along  
105 with full details of the ~~exceptional event~~ purpose, including,  
106 but not limited to:

- 107 (1) The nature of the promotion.
- 108 (2) The location and length of the promotion.
- 109 (3) The estimated number of tobacco products to be  
110 offered for sale during the promotion.

111 (c) The ~~Department of Revenue~~ department shall notify  
112 all self-administered counties and municipalities of the



113 manufacturer's request within seven days of receiving notice  
114 from the manufacturer by forwarding to each self-administered  
115 county and municipality a copy of the written notice,  
116 including the full details of the ~~exceptional event purpose~~ as  
117 set out above.

118 (d) Any person who violates this section shall be  
119 guilty of a Class A misdemeanor ~~and, upon conviction thereof,~~  
120 ~~shall be punished as prescribed by law.~~"

121 "§40-25-8

122 (a) Any cigarettes, smoking tobacco, heated tobacco  
123 products, cigars, stogies, cheroots, chewing tobacco, snuff,  
124 or other products taxable under this article found at any  
125 point within the State of Alabama, ~~which the cigarettes,~~  
126 ~~smoking tobacco, heated tobacco products, cigars, stogies,~~  
127 ~~cheroots, chewing tobacco, snuff, or other products taxable~~  
128 ~~under this article shall~~ have been within the State of Alabama  
129 for a period of two hours, or longer, in possession of any  
130 retailer or semijobber ~~not having~~ without the stamps required  
131 by this article affixed to the package ~~the stamps as provided~~  
132 ~~in this article, or,~~ in the case of products not requiring a  
133 stamp to be affixed, where purchase invoices do not itemize  
134 the applicable tobacco taxes, are declared to be contraband  
135 goods and may be seized by the ~~Department of Revenue~~  
136 department, its agents of the department, or by any peace  
137 officer of the State of Alabama, ~~without a warrant.~~ and the  
138 goods Goods confiscated pursuant to this subsection shall be  
139 delivered to the Department of Revenue department for  
140 destruction.



141        (b) Any ~~of the~~ goods, wares, or merchandise ~~when~~  
142 offered for sale, either at wholesale or retail without the  
143 stamps having been first affixed, or, in the case of products  
144 not requiring a stamp to be affixed, where purchase invoices  
145 do not itemize the applicable tobacco taxes, shall be subject  
146 to confiscation as hereinabove provided.

147        (c) Any untaxed cigarettes, smoking tobacco, heated  
148 tobacco products, cigars, stogies, cheroots, chewing tobacco,  
149 snuff, or other products taxable under this article found at  
150 any location within the State of Alabama, ~~other than the~~  
151 primary location of the permitted wholesaler or jobber,  
152 registered semijobber, registered retailer, ~~or~~ tobacco  
153 products manufacturer who stores tobacco products at a bonded  
154 warehouse in this state for resale, ~~are declared to be~~  
155 contraband goods, and those goods may be seized by the  
156 ~~Department of Revenue~~ department, ~~or its agents~~ of the  
157 department, ~~or~~ by any peace officer of the State of Alabama,  
158 without a warrant. ~~and the goods~~ Goods confiscated pursuant to  
159 this subsection shall be delivered to the ~~Department of~~  
160 Revenue department for destruction.

161        (d) Any vehicle, ~~that is~~ not a common carrier, ~~or~~ owned  
162 by an interstate warehouse permittee and ~~that is~~ used for the  
163 transportation for the purpose of ~~sale of~~ selling unstamped  
164 tobacco articles ~~as hereinabove~~ enumerated described in this  
165 section shall ~~likewise~~ be subject to confiscation and sale at  
166 public auction to the highest bidder after ~~due~~ advertisement  
167 and notice to the title owner of the vehicle. The proceeds of  
168 sale for any vehicle sold ~~hereunder~~ pursuant to this



169 subsection shall be deposited into the State Treasury by the  
170 ~~Department of Revenue~~ department to be credited in the same  
171 manner as the tax otherwise due on the tobacco products being  
172 transported. The cost of confiscation and sale shall be paid  
173 out of the sales ~~proceeds derived from the sale~~ before making  
174 remittance to the State Treasurer. Should any unstamped  
175 ~~tobaccos~~ tobacco products be found in any vehicle that is  
176 engaged in the sale, distribution, or delivery of taxable  
177 ~~tobaccos~~ tobacco products, the same shall be prima facie  
178 evidence that ~~it was there~~ the tobacco products were for  
179 sale."

180 "§40-25-8.1

181 (a) Each person, firm, corporation, club, or  
182 association that transports products upon the public highways,  
183 roads, or streets of this state which are required to be  
184 stamped as provided in Section 40-25-8, and which are not  
185 stamped, or on which the tax has not been paid in accordance  
186 with this chapter and Chapter 25A, upon the public highways,  
187 roads, or streets of this state is required to have an active interstate  
188 warehouser permit, tobacco permit, or transporters  
189 permit under this chapter. Failure to obtain a permit prior to  
190 before transporting the products is a violation of this  
191 section. A violation of this section may result in the  
192 products being declared contraband goods that may be seized  
193 without warrant by any law enforcement officer in this state.  
194 The contraband goods may be disposed of or destroyed by the  
195 law enforcement officer in accordance with this chapter. In  
196 addition, a vehicle used in the transportation of confiscated



197 products may be subject to confiscation by the law enforcement  
198 officer and sold at public auction to the highest bidder after  
199 due advertisement pursuant to Chapter 13 of Title 32.

200 (b) The owner—or, driver, or both— of a vehicle used in  
201 a violation of this section is guilty of a Class A misdemeanor  
202 unless the tobacco products being transported—exceeds exceed  
203 any of the following quantities: (i) 25,000 cigars,— (ii)  
204 50,000 filtered cigars,—; (iii) 50,000 little cigars,—; (iv)  
205 50,000 cigarettes,—; (v) 50,000 heated tobacco products,—;  
206 (vi) 25,000 cigar wraps,—; or (vii) 2,500 individual  
207 containers of loose or smokeless tobacco, in which case the  
208 owner or driver is guilty of a Class C felony. Any person  
209 convicted of a second or subsequent offense for a violation of  
210 this section is guilty of a Class C felony, regardless of the  
211 amount of tobacco products involved in the violation.

212 (c) This section shall not apply to individuals  
213 transporting tobacco for personal consumption as provided in  
214 Section 40-25-25."

215 "§40-25-11

216 All interstate warehousers, common carriers, contract  
217 carriers, buses, and trucks transporting tobacco products may  
218 be required, under regulations to be prescribed rules adopted  
219 by the Department of Revenue department, to transmit to the  
220 Department of Revenue a periodic statement of such  
221 consignments or deliveries of tobacco products showing date,  
222 point of origin, point of delivery and to whom delivered,  
223 recipient, and time of delivery,— and all All interstate  
224 warehousers, common carriers, buses, or and trucks shall



225 permit examination by the ~~Department of Revenue~~ department or  
226 ~~its~~ the department's agents of their records relating to  
227 shipment or receipt of tobacco products. The interstate  
228 warehouser, common carriers, buses, and trucks shall permit  
229 the examination and investigation of their records of shipment  
230 or receipts relating to tobacco products, when and ~~wherever~~  
231 where it is deemed advisable and necessary by the ~~Department~~  
232 ~~of Revenue~~ department or ~~its~~ the department's agents in the  
233 enforcement of this article. Inspectors, stamp deputies, and  
234 other ~~duly~~ authorized agents of the ~~Department of Revenue~~,  
235 department shall conduct these examinations ~~on~~ upon proper  
236 identification ~~from~~ and authorization ~~by~~ from the ~~Department~~  
237 ~~of Revenue~~, shall make such examination department. Any  
238 person, firm, corporation, partnership, or association of  
239 persons who refuses to ~~transmit to the~~ Department of Revenue  
240 ~~the statements hereinabove provided for, or who refuses to~~  
241 ~~permit the examination of his records by~~ submit the statements  
242 required by this section to the department, or who refuses to  
243 permit the Department of Revenue department or its duly an  
244 authorized agent of the department to examine its records,  
245 shall be guilty of a misdemeanor and upon conviction shall be  
246 punished by a fine of not less than one hundred dollars (\$100)  
247 nor more than five hundred dollars (\$500) for each ~~such~~  
248 offense."

249 "§40-25-16.1

250 (a) (1) Each interstate warehouser, wholesaler, jobber,  
251 semijobber, registered retailer, importer, or any other person  
252 selling, receiving, or distributing tobacco products in this



253 state for resale shall file a report of its activity with the  
254 ~~Department of Revenue~~ department between the first and the  
255 twentieth of each month. The ~~information~~ report shall include,  
256 but not be limited to, the customer's name, address, invoice  
257 number, invoice date, a description of the tobacco products,  
258 the itemized tax, and any other information required by the  
259 department.

260 ~~(1)~~ (2) This subsection is enacted to aid the ~~Department~~  
261 ~~of Revenue~~ department in the enforcement of Section 40-23-260,  
262 which requires a seller of tobacco products selling or  
263 distributing to retailers in this state to report the sale of  
264 tobacco products if an exemption from the sales or use tax is  
265 claimed at the time of sale.

266 ~~(2)~~ (3) Any sale of tobacco products to a purchaser  
267 using a sales tax number to purchase the products is declared  
268 to be a purchase for resale, and the seller is required to  
269 obtain a tobacco account and report the sale on the monthly  
270 tobacco sales for resale report.

271 ~~(3)~~ (4) If a non-registered seller or a non-permitted  
272 interstate warehouse fails to obtain a tobacco account as  
273 required, the department may assess the following penalties:

274 a. On the first violation, ~~the non-registered seller~~  
275 ~~shall be issued~~ a written warning notice from the department.  
276 The notice shall ~~advise the non-registered seller of~~ state the  
277 penalty due ~~if the seller continues to fail to comply for~~  
278 continued noncompliance with this section.

279 b. On a second violation of this section, ~~the~~  
280 ~~non-registered seller shall be assessed~~ a civil penalty of one



281 hundred dollars (\$100).

282 c. On a third or subsequent violation, ~~the~~  
283 ~~non-registered seller shall be assessed~~ a civil penalty of one  
284 hundred dollars (\$100) multiplied by the total number of  
285 violations that have been imposed under this section.

286 (b) The commissioner of the department shall establish  
287 ~~a web site~~ website for listing each interstate warehouse,  
288 wholesaler, jobber, semijobber, retailer, importer, or  
289 distributor of tobacco products ~~that has~~ qualified or  
290 registered with the ~~Department of Revenue~~ department.  
291 Purchases of tobacco products made from ~~an entity~~ entities  
292 other than ~~the above~~ those listed as permitted or registered  
293 ~~entities appearing on the~~ department department's website  
294 listing shall be subject to confiscation, as ~~provided for~~  
295 specified in this chapter."

296 "§40-25-18

297 (a) Persons failing to properly affix the required  
298 stamps to any cigars, cheroots, stogies, cigarettes, smoking  
299 tobacco, heated tobacco products, chewing tobacco, and snuff  
300 shall be required to pay, as part of the tax imposed ~~hereunder~~  
301 under this article, a penalty of not less than twenty-five  
302 dollars (\$25) ~~nor more than~~ per article on the first  
303 violation, two hundred fifty dollars (\$250) per article on the  
304 second violation, and five hundred dollars (\$500) per article  
305 on the third and subsequent violations. Each article or  
306 commodity ~~not having~~ without the proper stamps affixed ~~thereto~~  
307 ~~as herein~~ as required shall be ~~deemed~~ considered a separate  
308 offense. Any cigars, cheroots, stogies, cigarettes, smoking



309 tobacco, heated tobacco products, chewing tobacco, and snuff  
310 ~~in the~~ ~~at~~ a place of business of any person required by this  
311 article to stamp ~~the same~~ the products shall be prima facie  
312 evidence that they are intended for sale. The Department of  
313 Revenue, upon good cause shown, may waive or ~~remit~~ reduce any  
314 penalty or any part ~~thereof~~ of a penalty provided for in this  
315 section. Any person, ~~firm, corporation, club, or association~~  
316 ~~of persons~~ who has been found guilty of violating this article  
317 and who, after being punished by fine, penalty, assessment, or  
318 imprisonment, is found guilty of a second or subsequent  
319 violation of this article shall have his or her license, as  
320 provided in Sections 40-12-72 and 40-12-73, revoked by the  
321 department, and no further license or permit shall be issued  
322 or granted to that person, ~~firm, corporation, club, or~~  
323 ~~association of persons~~ for a period of one year from the date  
324 ~~their~~ the license or permit has been revoked. Notice of the  
325 revocation shall be mailed to the ~~probate~~ judge of probate and  
326 license inspector of the county in which the revocation was  
327 made.

328 (b) In addition to the penalty levied by the department  
329 pursuant to subsection (a), the county license inspector,  
330 license commissioner, revenue commissioner, tax assessor, or  
331 tax collector of the county in which the untaxed tobacco  
332 product is located may assess a penalty against any person  
333 failing to affix the required stamps to any cigars, cheroots,  
334 stogies, cigarettes, smoking tobacco, heated tobacco products,  
335 and or snuff. The ~~amount of the~~ additional penalty shall ~~be~~  
336 not be less than one hundred dollars (\$100) nor more than five



337 hundred dollars (\$500).

338 (c) The department and the local taxing official may  
339 assess the tax levied by this chapter pursuant to the  
340 assessment procedures set out in Chapter 2A of this title."

341 "§40-25-25

342 If any person, firm, or corporation who is not a  
343 regularly licensed dealer in tobacco products ~~shall have~~ or a  
344 permitted interstate warehouse has in his or her possession  
345 ~~within the state~~ more than 30 packages of unstamped cigarettes  
346 or heated tobacco products or more than one box of ~~unstamped~~  
347 untaxed cigars within the state, such possession it shall be  
348 presumed that the possession is to be for the purpose of  
349 evading the payment of the taxes due ~~thereon~~."

350 Section 2. Section 40-25-15.1, is added to the Code of  
351 Alabama 1975, to read as follows:

352 §40-25-15.1

353 (a) Before an interstate warehouse may ship tobacco  
354 products into this state, the interstate warehouse must  
355 possess a current interstate warehouse permit.

356 (b) (1) The annual application for an interstate  
357 warehouse permit must include the following items and any  
358 other information required by the department:

359 a. A copy of the current wholesale license or permit,  
360 or its equivalent, issued by at least four states other than  
361 Alabama.

362 b. A current Certificate of Authority issued by the  
363 Alabama Secretary of State if the applicant is not registered  
364 in Alabama as a domestic entity.



365           c. The name and address of each permitted wholesaler  
366        within this state to whom the applicant will be delivering  
367        tobacco products.

368           d. A copy of any contracts between the applicant and  
369        the permitted wholesalers in Alabama regarding the potential  
370        sale of tobacco products within this state.

371           e. A copy of the most recent audited financial  
372        statements from a certified public accountant or a firm  
373        regularly engaged in the auditing of financial records.

374           f. A permit fee of two thousand dollars (\$2,000) for  
375        the initial application.

376           (2) An annual permit renewal fee of five hundred  
377        dollars (\$500) shall be due on October 1 of each following  
378        year with the annual renewal application. Failure to submit  
379        the required renewal application and fee by October 1 shall  
380        constitute a voluntary dismissal of the interstate warehouser  
381        permit.

382           (3) Permit fees may be retained and used by the  
383        Department of Revenue for the enforcement of this chapter.

384           (c) An interstate warehouser permit is  
385        non-transferable, and the annual fees paid are non-refundable.

386           (d) The department may refuse to issue a permit to an  
387        applicant under this section if any of the following  
388        conditions exist:

389           (1) The application is incomplete or contains  
390        inaccurate information.

391           (2) The applicant has been convicted of any criminal  
392        offense involving fraud or misrepresentation.



393 (3) The applicant's wholesale license, permit, or  
394 equivalent, has been revoked by any other state.

395 (4) The applicant or its predecessor in business  
396 previously held an interstate warehouser permit that was  
397 revoked by Alabama and was not pending reinstatement by the  
398 Alabama Tax Tribunal within the past 12 months.

399 (5) The applicant has failed to file or pay any tax  
400 administered by the department.

401 (6) The application is denied for other good cause  
402 which shall be detailed in a written response to the applicant  
403 by the Department of Revenue.

404 (e) The department may revoke the permit if the  
405 interstate warehouser has violated any provisions of this  
406 chapter or any rules of the department adopted under authority  
407 of this article.

408 (f) An interstate warehouser with the required permit  
409 may sell cigarettes and tobacco products without applying the  
410 taxes imposed by this article or attaching the state or county  
411 revenue stamps, provided that the products are sold to a  
412 wholesale dealer who is licensed by the State of Alabama.

413 Additionally, the interstate warehouser must keep in its  
414 possession a record of the sale, the original purchase order,  
415 a copy of the invoice, a receipt from a common carrier or  
416 contract carrier showing shipment for delivery, or, if the  
417 interstate warehouser delivers directly to the qualified  
418 wholesale dealer, a receipt showing delivery along with the  
419 record, original purchase order, and invoice copy related to  
420 the sale.



421 (g) Any person who violates this section shall be  
422 subject to a penalty of one thousand dollars (\$1,000)  
423 multiplied by the total number of violations. This penalty is  
424 in addition to any other penalties that may be imposed under  
425 this chapter.

426 (h) Any unstamped tobacco product brought into the  
427 state other than by an interstate warehouser, a manufacturer,  
428 or an affiliate of a manufacturer for wholesale or retail sale  
429 shall be deemed contraband and subject to confiscation and  
430 applicable penalties.

431 (i) The department may adopt rules to implement and  
432 administer this section.



435  
436  
437

House of Representatives

438 Read for the first time and referred .....13-Jan-26  
439 to the House of Representatives  
440 committee on Ways and Means General  
441 Fund  
442  
443 Read for the second time and placed .....14-Jan-26  
444 on the calendar:  
445 1 amendment  
446  
447 Read for the third time and passed .....15-Jan-26  
448 as amended  
449 Yeas 102  
450 Nays 0  
451 Abstains 0  
452  
453  
454 John Treadwell  
455 Clerk  
456