

Appendix K: Written Comments

Virginia Alcoholic Beverage Control Authority

Chief Executive Officer
Dale F. Farino



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October 8, 2025

Mr. James Alex
Tax Commissioner
Virginia Department of Tax

Dear Mr. Alex,

Virginia ABC thanks you for providing us with the opportunity to participate in your Study of Retail Tobacco Licensing and Enforcement Pursuant to House Bill 1946 / Senate Bill 1060 and review the group's draft report. As noted in the report, tobacco licensing and enforcement has been a recurring topic of interest from both stakeholder groups and members of the General Assembly. We appreciate your willingness to engage with us and other stakeholders to provide information to the General Assembly regarding possible routes forward. We also share the consensus view outlined in the report that tobacco licensing and enforcement of tobacco age restrictions could best be addressed through a dedicated retail tobacco licensing and enforcement program administered by a single agency.

Over the course of two meetings, which were themselves a continuation of discussions during the 2025 General Assembly Session, the study addressed legislative options and funding options. Virginia ABC shares the consensus view from the work group that, if properly funded, Virginia ABC could effectively implement a licensing and enforcement program to perform regular tobacco age verification checks and internally adjudicate underage tobacco sale violations. The legislative approach from Senate Bill 1060 Substitute 2, which would create a permitting structure for all retail tobacco products akin to Virginia ABC's established alcohol-related permits, could provide a useful starting point for discussions, once again assuming sufficient dedicated funding. As discussed during the work group, Virginia ABC projects that implementing such a program would incur first year costs of \$5.3 million and ongoing annual costs of \$3.96 million thereafter.

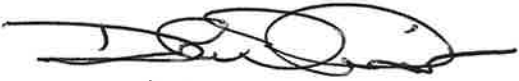
The draft report reflects the wide-ranging and positive discussion you led among the work group participants on the critical subject of funding options. Virginia ABC appreciates the group's willingness to consider numerous options for both start-up and ongoing funding for a potential tobacco licensing or permitting program at Virginia ABC or elsewhere. These discussions highlight that ensuring the viability of a tobacco licensing and enforcement program requires the establishment of a dedicated, ongoing funding source. Without guaranteed funding, this program becomes an added cost to the Authority thus reducing our overall profit transfer to the General Fund. Virginia ABC appreciates the contributions of the work group participants analyzing the availability and viability of various potential funding streams,



and Virginia ABC looks forward to continued engagement regarding possible funding scenarios which could make the work group's desired licensing and enforcement system achievable.

Once again, thank you for your leadership of the work group's discussions on this important topic. Virginia ABC looks forward to continued discussions with the Department of Taxation as we work to provide information to the General Assembly regarding developing an effective and sustainable tobacco licensing and enforcement program.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dale F. Farino', with a long horizontal line extending to the right.

Dale F. Farino

CC: Ms. Anna D. Mucha, Esquire
Virginia Department of Tax





COMMONWEALTH of VIRGINIA

NELSON SMITH
COMMISSIONER

*DEPARTMENT OF
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July 29, 2025

To: Katherine Spivey, Department of Taxation
Fr: Colleen Hughes & Jason Carlin, DBHDS
Re: 2025 House Bill 1946/Senate Bill 1060

DBHDS Support for Broadening the Tobacco and Nicotine Retailer Licensing/Permit Structure

The Virginia Department of Behavioral Health and Developmental Services (DBHDS) has no concerns regarding the proposed broadening of the tobacco merchant licensing and permit structure. In fact, we strongly support expanding this framework to include **all tobacco and nicotine** retailers. With the rapid growth of vape products, it is essential to encompass all retailers selling nicotine products—this includes merchants offering vapes, as well as those selling traditional combustible and oral tobacco products.

To support our ongoing prevention and compliance work—particularly under the federal Synar program—we respectfully request that any legislation establishing or expanding this licensing structure explicitly grant DBHDS access to the full list of licensed/registered retailers. Access to this list is vital to maintaining an up-to-date **POST database**, which forms the foundation of two key Synar program activities:

- 1. Enforcement Sampling:**

Retailers listed in the POST database form the sampling pool for stores selected for annual inspections conducted in partnership with Virginia ABC. If a retailer is not in the database, they are never eligible for inspection—potentially undermining the integrity of our compliance monitoring and enforcement strategy.

- 2. Merchant Education:**

Through our collaboration with Community Services Boards (CSBs), DBHDS ensures that all retailers in the POST database receive educational visits at least once every two years. These visits include distribution of vital materials such as legal updates, fact sheets on tobacco and nicotine products, and guidance on age verification and ID checks. Retailers not in the POST database miss out on these crucial resources.

Both of these gaps—in enforcement and education—have the potential to negatively impact Virginia’s **Retailer Violation Rate (RVR)**. A more comprehensive retailer list strengthens our sample size, improves data reliability, and expands our ability to provide proactive education, ultimately enhancing public health outcomes.

Licensing Fees: Proposed Structure

We continue to support a tiered fee structure in which the **initial registration fee** is higher than the **annual renewal fee**. We recommend consideration of the following renewal fee options:

- A **lower, fixed annual renewal fee** than the initial registration cost.
- A **performance-based discount model**, where the annual renewal fee is reduced based on the retailer’s compliance history. For example, a retailer with no violations over the past one, two, or three years could receive a 10%, 25%, or 50% discount, respectively. If a violation occurs, the fee would revert to the full rate.
- A **sales-based model**, where annual fees scale with the volume of tobacco and nicotine product sales. Higher-grossing businesses would pay proportionately higher fees.

Additionally, we emphasize the importance of licensing **each retail location separately**. Retailers operating multiple outlets—such as a vape shop with five storefronts—should be required to obtain individual licenses for each location to ensure full coverage and accountability.

Enforcement Capacity

We have found partnering with ABC to be an efficient process and have no concerns should ABC be the lead agency responsible for enforcement. Ideally, every licensed retailer would be inspected annually as a best practice. However, we understand the limitations of enforcement capacity. We fully support any increase to the current enforcement visit total of 1,000 per year and encourage a goal of reaching **every retailer at least once every two years**. This approach aligns with our educational outreach cycle through the CSBs and represents a meaningful step toward comprehensive oversight.

Conclusion: A Healthier Virginia Through Vigilance and Partnership

Ultimately, our shared goal is to protect Virginia’s youth and promote healthy communities. The dangers of traditional tobacco use are well-established, and the harms of nicotine vaping are rapidly becoming clearer, as recent research has shown (e.g., [NYT article, July 2025](#)). To effectively respond to these public health threats, we must strengthen both enforcement and education efforts.

By broadening the licensing structure, ensuring access to retailer data, and implementing a thoughtful fee and inspection framework, we can build a more robust system—one that supports compliance, empowers prevention, and protects the health of all Virginians.