

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 HOUSE BILL 3983

By: Caldwell (Trey)

6 AS INTRODUCED

7 An Act relating to cigarettes; amending 68 O.S. 2021,
8 Section 301, 321, and 322, which relate to the
9 administration of cigarette excise taxes; modifying
10 definition of cigarette; providing partial exemption
11 to cigarette excise taxes for certain types of
12 products; requiring certain stamps be made available
13 on certain timeline; clarifying references; and
14 providing an effective date.

15 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

16 SECTION 1. AMENDATORY 68 O.S. 2021, Section 301, is
17 amended to read as follows:

18 Section 301. For purposes of Section 301 et seq. of this title:

19 1. The term "cigarette" is defined to mean and include all
20 rolled tobacco ~~or any substitute therefor~~, wrapped in paper or any
21 substitute therefor, intended to be heated or burned, and weighing
22 not to exceed three (3) pounds per thousand cigarettes;

23 2. The term "person" is defined to mean and include any
24 individual, company, partnership, joint venture, joint agreement,
association (mutual or otherwise), limited liability company,

1 corporation, estate, trust, business trust receiver, or trustee
2 appointed by any state or federal court, or otherwise, syndicate, or
3 any political subdivision of the state or combination acting as a
4 unit, in the plural or singular number;

5 3. The term "wholesaler", "distributor" and/or "jobber" is
6 defined to mean and include a person, firm or corporation organized
7 and existing, or doing business, primarily to sell cigarettes to,
8 and render service to retailers in the territory such person, firm
9 or corporation chooses to serve, and that:

- 10 a. purchases cigarettes directly from the manufacturer,
- 11 b. at least seventy-five percent (75%) of whose gross
12 sales are made at wholesale,
- 13 c. handles goods in wholesale quantities and sells
14 through salespersons, advertising and/or sales
15 promotion devices,
- 16 d. carries at all times at its principal place of
17 business a representative stock of cigarettes for
18 sale, and
- 19 e. comes into the possession of cigarettes for the
20 purpose of selling them to retailers or to persons
21 outside or within the state who might resell or retail
22 such cigarettes to consumers.

23 In addition to the foregoing, and irrespective of the percentage
24 or type of sales, the term "wholesaler", "distributor" and/or

1 "jobber" shall also include all purchasers of cigarettes making
2 purchases directly from the manufacturer for distribution at
3 wholesale or retail sale and this shall not affect the requirements
4 relating to retail licenses;

5 4. The term "retailer" is defined to be:

6 a. a person who comes into the possession of cigarettes
7 for the purpose of selling, or who sells them at
8 retail, or

9 b. a person, not coming within the classification of
10 wholesaler, distributor and/or jobber as herein
11 defined, having possession of more than one thousand
12 cigarettes;

13 5. The term "consumer" is defined to be a person who receives
14 or who in any way comes into possession of cigarettes for the
15 purpose of consuming them, giving them away, or disposing of them in
16 a way other than by sale, barter or exchange;

17 6. The term "Tax Commission" is defined to mean the Oklahoma
18 Tax Commission;

19 7. The term "sale" and/or "sales" is hereby defined to be and
20 declared to include sales, barters, exchanges and every other
21 manner, method and form of transferring the ownership of personal
22 property from one person to another, and is also declared to be the
23 use or consumption in this state in the first instance of cigarettes
24 received from without the state or of any other cigarettes upon

1 which the tax has not been paid. The term "first sale" shall mean
2 and include the first sale or distribution of cigarettes in
3 intrastate commerce or the first use or consumption of cigarettes
4 within this state;

5 8. The term "stamp" as herein used shall mean the stamp or
6 stamps by use of which:

- 7 a. the tax levied pursuant to the provisions of Section
8 301 et seq. of this title is paid,
- 9 b. the tax levied pursuant to the provisions of Section
10 349 of this title is paid, or
- 11 c. the payment in lieu of taxes authorized pursuant to a
12 compact entered into by the State of Oklahoma and a
13 federally recognized Indian tribe or nation pursuant
14 to the provisions of subsection C of Section 346 of
15 this title is paid;

16 9. The term "drop shipment" shall mean and include any delivery
17 of cigarettes received by any person within this state when payment
18 for such cigarettes is made to the shipper or seller by or through a
19 person other than the consignee;

20 10. The term "distributing agent" shall mean and include every
21 person in this state who acts as an agent of any person outside the
22 state by receiving cigarettes in interstate commerce and storing
23 such cigarettes subject to distribution or delivery upon order from
24 the person outside the state to distributors, wholesale dealers and

1 retail dealers, or to consumers. The term "distributing agent"
2 shall also mean and include any person who solicits or takes orders
3 for cigarettes to be shipped in interstate commerce to a person in
4 this state by a person residing outside of Oklahoma, the tax not
5 having been paid on such cigarettes;

6 11. The term "vending machine" shall mean and include any coin
7 operating machine, contrivance, or device, by means of which
8 cigarettes are sold or dispensed in their original container;

9 12. The term "use" means and includes the exercise of any right
10 or power over cigarettes incident to the ownership or possession
11 thereof, except that it shall not include the sale of cigarettes in
12 the regular course of business;

13 13. a. The term "delivery sale" means any sale of cigarettes
14 to a consumer in Oklahoma where either:

15 (1) the purchaser submits the order for such sale by
16 means of a telephonic or other method of voice
17 transmission, the mails or any other delivery
18 service, or the Internet or other online service,
19 or

20 (2) the cigarettes are delivered by use of the mails
21 or other delivery service.

22 b. A sale of cigarettes which satisfies the criteria in
23 subparagraph a of this paragraph shall be a delivery
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sale regardless of whether the seller is located within or outside of Oklahoma.

c. A sale of cigarettes not for personal consumption to a person who is a wholesale dealer or a retail dealer shall not be a delivery sale.

d. For purposes of this paragraph, any sale of cigarettes to an individual in Oklahoma shall be treated as a sale to a consumer unless such individual is licensed as a distributor or retailer of cigarettes by the Tax Commission;

14. The term "delivery service" means any person, including but not limited to the United States Postal Service, that is engaged in the commercial delivery of letters, packages, or other containers;

15. The term "manufacturer" means any person who manufactures, fabricates, assembles, processes, or labels a finished cigarette; or imports, either directly or indirectly, a finished cigarette for sale or distribution in this state;

16. The term "mails" or "mailing" means the shipment of cigarettes through the United States Postal Service;

17. The term "shipping container" means a container in which cigarettes are shipped in connection with a delivery sale; and

18. The term "shipping documents" means bills of lading, airbills, or any other documents used to evidence the undertaking by

1 a delivery service to deliver letters, packages, or other
2 containers.

3 SECTION 2. AMENDATORY 68 O.S. 2021, Section 321, is
4 amended to read as follows:

5 Section 321. A. The following sales are hereby exempted from
6 the stamp excise tax levied pursuant to the provisions of Section
7 301 et seq. of this title:

8 1. All cigarettes sold to veterans hospitals and state operated
9 domiciliary homes for veterans located in the State of Oklahoma, for
10 distribution or sale to disabled ex-servicemen or disabled ex-
11 servicewomen interned in, or inmates of, such hospitals, or
12 residents of such homes;

13 2. All sales to the United States;

14 3. All sales to a federally recognized Indian tribe or nation
15 which has entered into a compact with the State of Oklahoma pursuant
16 to the provisions of subsection C of Section 4 346 of this ~~act~~ title
17 or to a licensee of such a tribe or nation, upon which the payment
18 in lieu of taxes required by the compact has been paid; and

19 4. All sales to a federally recognized Indian tribe or nation
20 or to a licensee of such a tribe or nation upon which the tax levied
21 pursuant to the provisions of Section 4 349 of this ~~act~~ title has
22 been paid.

23 B. To the sale of cigarettes that are intended to be heated
24 rather than burned shall be applied a tax exemption equal to fifty

1 percent (50%) of the tax levied pursuant to the provisions of
2 Section 301 et seq. of this title.

3 SECTION 3. AMENDATORY 68 O.S. 2021, Section 322, is
4 amended to read as follows:

5 Section 322. The Oklahoma Tax Commission shall prescribe such
6 rules and make such regulations as to the sale or distribution of
7 cigarettes, and the exemption from the stamp excise tax thereof, as
8 shall be deemed necessary to comply with the provisions of ~~the~~
9 preceding section Section 301 et seq. of this title, including the
10 creation of distinct stamps to affix to packages of cigarettes that
11 are intended to be heated rather than burned, and provide that such
12 stamps be made available on or before the effective date of this
13 act.

14 SECTION 4. This act shall become effective November 1, 2026.

16 60-2-14381 JM 01/11/26

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