



## 2026 South Dakota Legislature

# Senate Bill 221

HOUSE ENGROSSED

This bill has been extensively amended (hoghoused) and may no longer be consistent with the original intention of the sponsor.

Introduced by: **Senator Karr**

1 **An Act to regulate the retail sale of nicotine products, and to provide a penalty**  
2 **therefor.**

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 **Section 1. That § 10-1-28.2 be AMENDED:**

5 **10-1-28.2.** All lists of taxpayers, licensees, or applicants compiled by the  
6 Department of Revenue are confidential, ~~except licensees which were licensed under the~~  
7 ~~provisions of chapter 10-47B, 32-6B, 32-6C, 32-7A, or 32-7B, or sections 2 to 18,~~  
8 ~~inclusive, of this Act.~~ It is a Class 2 misdemeanor to disclose any such list except to the  
9 extent necessary to carry out the official duties of the department.

10 **Section 2. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

11 Terms used in this chapter mean:

- 12 (1) "Alternative nicotine product," a noncombustible product containing nicotine from  
13 any source or a nicotine analog that is intended for human consumption, whether  
14 chewed, absorbed, dissolved, ingested, inhaled, or consumed by any other means.  
15 The term does not include any vapor product or any product regulated as a drug,  
16 food, or device by the United States Food and Drug Administration under the Food,  
17 Drug and Cosmetic Act, 21 U.S.C chapter 9 subchapter V (January 1, 2026);
- 18 (2) "Department," the Department of Revenue;
- 19 (3) "Licensee," a person licensed under the provisions of this chapter;
- 20 (4) "Nicotine analog," a substance that:
- 21 (a) Has a chemical structure substantially similar to the chemical structure of  
22 nicotine;
- 23 (b) Has, or is represented to have, an effect on the central nervous system  
24 similar to the chemical nicotine; and

1           (c) Is manufactured, formulated, sold, distributed, or marketed with the intent  
2           to avoid the provisions of this chapter;

3       (5) "Nicotine product," an alternative nicotine product, tobacco product, or vapor  
4       product;

5       (6) "Retailer," a person engaged in the business of selling a nicotine product to an  
6       individual for any purpose other than resale;

7       (7) "Secretary," the secretary of the department;

8       (8) "Tobacco product," cigarettes, cigars, snuff, chewing tobacco, and any other  
9       products made up or composed of tobacco in whole or in part;

10      (9) "Vapor product," a noncombustible product containing nicotine or a nicotine analog  
11      that employs a heating element, power source, electronic circuit, or other  
12      electronic, chemical, or mechanical means, regardless of shape or size, which can  
13      be used to produce vapor or aerosol from nicotine or a nicotine analog in a solution.  
14      The term includes, but is not limited to, any electronic cigarette, electronic cigar,  
15      electronic cigarillo, electronic pipe, or similar product or device, and a consumable  
16      nicotine or nicotine analog solution suitable for use in a vapor product, and any  
17      component or part, whether sold with the product or separately. The term does  
18      not include any product approved by the United States Food and Drug  
19      Administration for sale as a tobacco cessation product and marketed and sold solely  
20      for that purpose;

21      (10) "Vending machine," a device that dispenses nicotine products to an individual for  
22      any purpose other than resale. The term does not include a self-service display;  
23      and

24      (11) "Vending machine retailer," a person engaged in the business of selling a nicotine  
25      product from vending machines.

26      **Section 3. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

27           Any communication by, or on behalf of, the manufacturer, distributor, or retailer  
28           of a nicotine product, which indicates that the product contains a nicotine analog,  
29           constitutes presumptive evidence that the product contains a nicotine analog.

30      **Section 4. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

31           A retailer shall secure a license under this chapter to sell a nicotine product in this  
32           state. A separate application and a separate license are required for each place of business

1 of a retailer where a nicotine product is sold at retail. Each vending machine that sells a  
2 nicotine product pursuant to section 8 of this Act requires a separate license.

3 An application for a license required under this section must be made to the  
4 department, on forms prescribed by the secretary. The application must contain:

5 (1) The contact information and date of birth of the applicant;

6 (2) The physical address and mailing address of the place of business of the retailer;

7 (3) All past and current violations of state or federal law by the applicant relating to  
8 the sale, possession, or transportation of a nicotine product; and

9 (4) Any information required by the department pursuant to rules promulgated under  
10 this chapter.

11 For retailers where at least fifty percent of the annual gross income in a year for  
12 the place of business is estimated to be generated from the sales of nicotine products, the  
13 application must be accompanied by a fee of three hundred dollars.

14 For retailers where less than fifty percent of the annual gross income in a year for  
15 the place of business is estimated to be generated from the sales of nicotine products, the  
16 application must be accompanied by a fee of two hundred dollars.

17 A vending machine retailer that places a vending machine in a licensed  
18 establishment pursuant to section 8 of this Act, shall pay a fee of one hundred dollars for  
19 each vending machine.

20 **Section 5. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

21 A license issued under section 4 of this Act is valid through December thirty-first  
22 following the issuance of the license, unless the license is revoked sooner by the secretary  
23 pursuant to this chapter. A license is valid if a pending application to renew a license is in  
24 the possession of the department and if the pending application is not subject to denial  
25 pursuant to section 7 of this Act.

26 A license issued under section 4 of this Act may be transferred.

27 The transferee shall make an application in the same manner as provided in section  
28 4, and the application must be acted upon in the same manner as an original application.

29 No transfer of any license to another person may be granted until all taxes incurred  
30 by the transferor as a result of the operation of the licensed premises, including municipal  
31 and state sales and use taxes, state reemployment assistance or unemployment insurance  
32 tax, or any other state tax, are paid or are not delinquent. No transfer of any license to  
33 another person may be granted until all property taxes which are the liability of the  
34 licensee levied on the licensed premises are paid or are not delinquent.

1 **Section 6. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

2 A licensee may apply to the department for a renewal of the license within:

3 (1) Sixty days prior to the expiration of the license; or

4 (2) Three days after the expiration of the license.

5 For retailers where at least fifty percent of the annual gross income in a year for  
6 the place of business is generated from the sales of nicotine products, the renewal  
7 application must be accompanied by a fee of three hundred dollars.

8 For retailers where less than fifty percent of the annual gross income in a year for  
9 the place of business is generated from the sales of nicotine products, the renewal  
10 application must be accompanied by a fee of two hundred dollars.

11 A vending machine retailer that places a vending machine in a licensed  
12 establishment pursuant to section 8 of this Act, shall pay a fee of one hundred dollars for  
13 each vending machine.

14 **Section 7. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

15 The department shall deny an application made under section 4 or 6 of this Act if  
16 the applicant:

17 (1) Provides any false information;

18 (2) Is under the age of twenty-one years;

19 (3) Is not current on the remittance of all applicable state and local taxes; or

20 (4) Has been convicted of, or pled guilty to, a felony related to a financial crime, a  
21 crime related to the sale or distribution of a nicotine product or alcohol, or a crime  
22 related to a controlled substance, in this or any other jurisdiction, unless at least  
23 three years have passed since satisfactory completion of the sentence or probation  
24 imposed by the court in each felony conviction.

25 **Section 8. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

26 A vending machine retailer may place a vending machine within an establishment  
27 licensed pursuant to chapter 35-4, or within a licensed gaming establishment as defined  
28 in § 42-7B-4, if the vending machine is placed in an area of the establishment in which  
29 access is denied to persons under the age of twenty-one years.

30 A vending machine must be equipped with an age-verification system. Age  
31 verification is required to purchase a nicotine product from the vending machine.

1           For purposes of this Act, the vending machine retailer is responsible for compliance  
2           with all provisions of this Act. The establishment in which the vending machine is placed  
3           is not a retailer or vending machine retailer, unless nicotine products are otherwise sold  
4           at the establishment without the use of a vending machine.

5           **Section 9. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

6           A licensee may not:

- 7           (1) Ship, or cause to be shipped, a nicotine product to an individual to be consumed  
8           by the individual, except as otherwise provided in chapter 10-50C or under  
9           provisions of House Bill 1220, as enacted by the One Hundred First Legislature;  
10          (2) Sell, or offer to sell, a nicotine product to a person under the age of twenty-one  
11          years;  
12          (3) Sell, or offer to sell, a nicotine product in a vending machine, except as provided  
13          in section 8 of this Act;  
14          (4) Sell a nicotine product by phone, voice transmission, mail, internet, electronic-  
15          application-based service, curbside pick-up, or by any third-party means, except  
16          as otherwise provided in chapter 10-50C or under provisions of House Bill 1220,  
17          as enacted by the One Hundred First Legislature;  
18          (5) Provide free samples of nicotine products to an individual;  
19          (6) Purchase a nicotine product from a person that is not a licensed distributor or  
20          licensed wholesaler under chapter 10-50 or under the provisions of House Bill 1220,  
21          as enacted by the One Hundred First Legislature; or  
22          (7) Sell or cause to be sold a nicotine product where the product, container, or  
23          packaging includes a video game or mobile game capable of interfacing with an  
24          external gaming system or mobile application, or has a gaming functionality.

25           A licensee is responsible for, and may be subject to enforcement action for, any  
26           violation of this chapter committed by the licensee's employee, agency, agent, or clerk,  
27           while acting within the scope of employment or agency.

28           For purposes of this section, a sale of a nicotine product from a vending machine  
29           does not constitute a sale described under subdivision (4) of this section.

30           **Section 10. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

31           A licensee shall keep complete records of all nicotine products held in the licensee's  
32           inventory and all nicotine products sold by the licensee, in a manner set forth in rules  
33           promulgated by the secretary pursuant to chapter 1-26.

1           The records must include information detailing the name, source, origin,  
2           manufacturer, and address of the person supplying, and a copy of the purchase invoice,  
3           of the nicotine products in the licensee's inventory.

4           The licensee shall preserve the records for three years.

5           If the records are not stored at the licensee's place of business, the licensee must,  
6           upon request of the secretary, make the records available, in electronic form, within five  
7           business days.

8           If the secretary determines that a licensee committed an unintentional error in the  
9           record-keeping requirements of this section, the error does not constitute a violation for  
10          purposes of sections 12 and 13 of this Act.

11          Nicotine products sold from, or contained in, a vending machine are inventory of  
12          the licensed retailer, and are not the inventory of the establishment within which the  
13          vending machine is placed. The requirements of this section apply only to the retailer, and  
14          may be maintained at the retailer's principal location.

15          The establishment within which the vending machine is placed is not subject to the  
16          requirements of this section, but must allow access to the vending machine for purposes  
17          of compliance with this chapter.

18       **Section 11. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

19          The secretary may, during normal business hours, inspect the records and  
20          premises of any licensee, and may conduct an investigation to determine whether the  
21          licensee has violated any provision of this chapter or rule promulgated thereunder. The  
22          secretary shall conduct an inspection or investigation under this section, in accordance  
23          with rules promulgated by the secretary pursuant to chapter 1-26.

24          An establishment within which a vending machine is placed is not subject to the  
25          provisions of this section solely for the purpose of determining whether the retailer has  
26          violated any provisions of this chapter or any rule promulgated thereunder.

27       **Section 12. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

28          If the secretary receives information of a violation by any licensee of any provision  
29          of this chapter, the secretary must investigate the alleged violation. If there is substantial  
30          evidence to support that a violation of any provision of this chapter has occurred, the  
31          secretary must proceed in accordance with the provisions of this chapter.

1           If a licensee has been determined by the department to have violated any provision  
 2           of this chapter, the secretary must conduct an inspection of the licensee within six months  
 3           of the determination.

4           **Section 13. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

5           If a licensee is determined to have violated a provision of sections 8 to 10, inclusive,  
 6           of this Act or a provision of chapter 34-46, the secretary must assess a penalty according  
 7           to the following schedule:

- 8           (1) For a first violation, a fine of five hundred dollars;
- 9           (2) For a second violation within a thirty-six-month period, a fine of one thousand  
 10           dollars;
- 11          (3) For a third violation within a thirty-six-month period, a fine of two thousand dollars,  
 12           and the secretary shall suspend the license for thirty days;
- 13          (4) For a fourth violation within a thirty-six-month period, a fine of five thousand five  
 14           hundred dollars, and the secretary shall revoke the license.

15           Except as otherwise provided in this section, the secretary may, in accordance with  
 16           chapter 1-26, revoke or suspend a license issued under this chapter for failure of the  
 17           licensee to comply with a provision of this chapter or rules promulgated thereunder, or if  
 18           the licensee is convicted of a felony.

19           A fine assessed under this section is due within thirty days of the department  
 20           providing notice of the fine to the licensee.

21          **Section 14. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

22           If the license of a retailer is revoked pursuant to section 13 of this Act, the retailer  
 23           must:

- 24           (1) Destroy all nicotine products possessed by the retailer, at the time of the  
 25           revocation, in accordance with all state and federal requirements related to  
 26           hazardous materials; or
- 27           (2) Return all nicotine products to the licensed distributor or licensed wholesaler under  
 28           chapter 10-50 or under the provisions of House Bill 1220, as enacted by the One  
 29           Hundred First Legislature, from which the nicotine products were purchased by the  
 30           licensee.

31           The retailer shall submit verification of the destruction or return to the department,  
 32           in a manner provided in rules promulgated by the secretary.

1           A retailer who fails to comply with this section within sixty days from the revocation  
2           of the license is subject to a fine of five thousand dollars, imposed by the department.

3           **Section 15. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

4           If a licensee is determined to have violated any provision of this chapter, the  
5           licensee may appeal an action or decision of the secretary, in the same manner as provided  
6           in chapter 1-26.

7           **Section 16. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

8           The department shall promulgate rules, in accordance with chapter 1-26, to:

- 9           (1) Establish a procedure for an initial and a renewal license application under this  
10           chapter, and the information required in the application;  
11           (2) Provide for the manner in which nicotine products must be destroyed or returned  
12           and the manner in which verification of the destruction or return must be  
13           submitted;  
14           (3) Provide the process for assessing and collecting fines under this chapter;  
15           (4) Establish standards for the keeping of records, as required in section 10 of this Act;  
16           and  
17           (5) Establish a process for the inspection of records and premises, as authorized in  
18           section 11 of this Act.

19           **Section 17. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

20           A retailer who sells a nicotine product in this state, without a license issued  
21           pursuant to this chapter, is subject to a fine of five hundred dollars, per day, imposed by  
22           the department, except as provided in section 5 of this Act.

23           **Section 18. That a NEW SECTION be added to a NEW CHAPTER in title 10:**

24           There is created a nicotine enforcement fund. The department shall administer the  
25           fund. The purpose of the fund is to defray expenses associated with the enforcement of  
26           this chapter.

27           Moneys collected under this chapter must be forwarded to the state treasurer to  
28           be deposited into the fund. Interest on moneys credited to the fund must remain in the  
29           fund.

1           Expenditures from the fund must be budgeted through the general appropriation  
 2           bill.

3           **Section 19. That § 34-46-2 be AMENDED:**

4           **34-46-2.** The following actions are unlawful:

- 5           (1) To knowingly sell or distribute a ~~tobacco product~~ nicotine product, as defined in  
 6           section 2 of this Act, to a person under the age of twenty-one;
- 7           (2) To purchase or attempt to purchase, to receive or attempt to receive, to possess,  
 8           or to consume a ~~tobacco~~ nicotine product, as defined in section 2 of this Act, if a  
 9           person is under the age of twenty-one;
- 10          (3) To purchase a ~~tobacco product~~ nicotine product, as defined in section 2 of this Act,  
 11          on behalf of, or to give a ~~tobacco~~ nicotine product to, any person under the age of  
 12          twenty-one;
- 13          (4) To sell ~~cigarettes~~ nicotine products, as defined in section 2 of this Act, other than  
 14          in an unopened package originating with the manufacturer and depicting the  
 15          warning labels required by federal law;
- 16          (5) To sell ~~tobacco products~~ nicotine products, as defined in section 2 of this Act,  
 17          through a vending machine ~~located in a place other than a place that is open to~~  
 18          ~~the public but to which persons under the age of twenty one are denied access at~~  
 19          ~~all times, except as otherwise provided in section 8 of this Act;~~
- 20          (6) To sell ~~cigarettes or smokeless tobacco, or both,~~ nicotine products, as defined in  
 21          section 2 of this Act, through a self-service display ~~other than a display that is:~~  
 22          (a) ~~— A vending machine permitted under subdivision (5) of this section; or~~  
 23          (b) ~~— Located in a tobacco speciality store; or~~
- 24          (7) To distribute ~~tobacco product samples~~ samples of nicotine products, as defined in  
 25          section 2 of this Act, in or on a public street, sidewalk, or park that is within five  
 26          hundred feet of a playground, school, or other facility when the facility is being  
 27          used primarily by persons under the age of twenty-one.

28          **Section 20. That § 34-46-2.2 be AMENDED:**

29          **34-46-2.2.** ~~A~~ Except as otherwise provided in this section, a merchant shall  
 30          conspicuously post a notice, on the merchant's premises, stating in text at least one inch  
 31          in height, that ~~"No no~~ no person under the age of 21 ~~twenty-one~~ may be sold ~~tobacco~~  
 32          ~~products."~~ products."

1           ~~Any owner, lessee, or person having control of any cigarette vending machine shall~~  
 2           ~~post, in a conspicuous place on each machine in use within the state, a warning which~~  
 3           ~~shall be printed in bold type letters each of which shall be at least one half inch high and~~  
 4           ~~which shall be kept in easily legible form and repair stating:~~

5           ~~"Any person under 21 years of age is forbidden by law to purchase cigarettes from~~  
 6           ~~this machine." nicotine products, as defined in section 2 of this Act.~~

7           ~~For purposes of this section, the notice may be displayed electronically on a~~  
 8           ~~vending machine.~~

9           ~~Adjacent to the sign, the licensee shall display a valid license issued under this~~  
 10          ~~chapter. A vending machine constitutes the point of sale for nicotine products sold from~~  
 11          ~~the vending machine.~~

12       **Section 21. That § 34-46-3 be AMENDED:**

13           **34-46-3.** Each county state's attorney or a local law enforcement officer  
 14           designated by the state's attorney shall annually conduct unannounced, random  
 15           inspections at various locations where ~~tobacco~~ nicotine products, as defined in section 2  
 16           of this Act, are sold or distributed to ensure compliance with this chapter. Persons under  
 17           the age of twenty-one may be enlisted to test compliance with this chapter. Such persons  
 18           may be used to test compliance with this chapter only if the testing is conducted under  
 19           the supervision of the county state's attorney or a local law enforcement officer designated  
 20           by the state's attorney and written parental consent has been provided. Any other use of  
 21           persons under the age of twenty-one to test compliance with this chapter is unlawful and  
 22           the persons responsible for such use are subject to the penalties prescribed in § 34-46-5.

23           Any evidence of a violation of this chapter or sections 2 to 18, inclusive, of this Act,  
 24           must be submitted to the secretary of the Department of Revenue.

25       **Section 22. That § 34-46-21 be AMENDED:**

26           **34-46-21.** No person may sell a ~~vapor~~ nicotine product, as defined in section 2 of  
 27           this Act, other than in an unopened package originating with the manufacturer and  
 28           depicting the warning labels required by federal law, ~~or sell a vapor product through self-~~  
 29           ~~service display other than a display that is:~~

30           ~~(1) A vending machine permitted under subdivision 34-46-2(5); or~~

31           ~~(2) Located in a tobacco specialty store.~~

32           ~~A violation of person who violates this section is a Class 2 misdemeanor. A person~~  
 33           ~~is not liable for more than one violation of this section on a single day subject to a fine of~~

1 two hundred fifty dollars, imposed by the Department of Revenue. Each violation is subject  
2 to a fine.

3 **Section 23.** This Act is effective beginning January 1, 2027.