

# Dentons SALT Insights: Indiana Tax Developments – Fall 2021

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House Enrolled Act 1001, Section 119, creates a new chapter of the Indiana Code at IC 6-7-4 which imposes an electronic cigarette tax. The tax is imposed on the retail sale of consumable material and vapor products in Indiana at a rate of 15% on the gross retail income received by the retail dealer. The person who acquires consumable material or vapor products in a retail transaction is liable for the tax on the transaction, typically paid to the retail dealer as a separate added amount to the consideration in the transaction.

Consumable material and vapor products do not include a “closed system cartridge,” defined as “a sealed, prefilled, and disposable container of consumable material in which the container is inserted directly into a vapor product, and is not intended to be opened or accessible through customary or reasonably foreseeable handling or use.” HEA 1001, Sec. 101. Instead, closed system cartridges are deemed taxable products under the existing statutes governing cigarette tax. HEA 1001, Sec. 104.

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## Your Key Contacts



**Mark A. Loyd**  
Partner, Louisville  
D +1 502 587 3552  
[mark.loyd@dentons.com](mailto:mark.loyd@dentons.com)



**Bailey Roese**  
Partner, Louisville  
D +1 502 587 3522  
[bailey.roese@dentons.com](mailto:bailey.roese@dentons.com)



**Brett J. Miller**  
Of Counsel, Indianapolis  
D +1 317 968 5398  
[brett.miller@dentons.com](mailto:brett.miller@dentons.com)



**Stephanie M. Bruns**  
Senior Managing Associate,  
Louisville  
D +1 502 587 3515  
[stephanie.bruns@dentons.com](mailto:stephanie.bruns@dentons.com)



**Jeffrey T. Bennett**  
Partner, Indianapolis  
D +1 317 686 5218  
[jeff.bennett@dentons.com](mailto:jeff.bennett@dentons.com)



**Bradley Hasler**  
Partner, Indianapolis  
D +1 317 686 5240  
[bradley.hasler@dentons.com](mailto:bradley.hasler@dentons.com)



**Kelli A. Wikoff**  
Partner, Kansas City  
D +1 816 460 2480  
[kelli.wikoff@dentons.com](mailto:kelli.wikoff@dentons.com)



**Kimberly M. Nolte**  
Associate, Chicago  
D +1 312 876 8109  
M +1 312 402 1457  
[kimberly.nolte@dentons.com](mailto:kimberly.nolte@dentons.com)



**Gary R. Thorup**

Shareholder, Salt Lake City

D +1 801 297 1108

M +1 801 598 6810

[gary.thorup@dentons.com](mailto:gary.thorup@dentons.com)



**Eric Smith**

Of Counsel, Salt Lake City

D +1 801 297 1296

[eric.smith@dentons.com](mailto:eric.smith@dentons.com)