

Flavored Tobacco Ban Estimate Range and Considerations
Ted Barnett, Joint Fiscal Office
February 1, 2024

	FY23 Overall Revenue (\$ million)	Estimated Revenue from Flavored Products (\$ million)
Overall Cigarette and Tobacco Revenues	\$74.8	\$23.5
Cigarettes	\$51.7	\$9.7
E-Cigarettes	\$11.8	\$8.8
Other Tobacco	\$11.3	\$5.0

Source: Vermont Department of Taxes; JFO Analysis

Estimate Ranges

Below are three preliminary estimates of the tax revenue loss that could result from banning the sale of flavored tobacco in Vermont. These estimates show a range that varies substantially based on different assumptions and methodologies. Data for fiscal year 2025 include only 6 months of revenue loss for certain tax types to reflect a proposed January 1, 2025 effective date for the ban of all flavored e-liquids and tobacco substitutes. Fiscal year 2026 reflects the proposed July 1, 2025 effective date for a menthol tobacco product ban.

Revenue Loss from Flavored Tobacco Ban - Consumption Estimates						
	FY25 - 6 Months		FY26		FY27	
	Cigarette Taxes (GF)	Sales and Use (EF)	Cigarette Taxes (GF)	Sales and Use (EF)	Cigarette Taxes (GF)	Sales and Use (EF)
Flavored Cigarettes (Menthol)	-	-	\$2,880,000	\$160,000	\$3,100,000	\$170,000
Cigars and OTP	-	-	\$920,000	\$70,000	\$990,000	\$80,000
E-Cigarettes	\$1,100,000	\$80,000	\$2,600,000	\$180,000	\$2,570,000	\$170,000
Subtotals	\$1,100,000	\$80,000	\$6,400,000	\$410,000	\$6,660,000	\$420,000
Total Revenue Loss	\$1,180,000		\$6,810,000		\$7,080,000	

Basis of estimate: Self-reported data of tobacco product users on who would quit. The revenue loss comes from people who would quit tobacco altogether if flavors are banned.

Considerations:

- This estimate was the basis for the fiscal note presented for S.18 last year. The estimate increased this year due to increased rates of e-cigarette usage and revenue in Vermont and updated market share estimates of flavored e-cigarettes and other tobacco products.
- This estimate does not consider the cross-border implications of a flavor ban.

Estimated Revenue Loss from Flavored Tobacco Ban - Revenue Loss from Massachusetts Ban Scaled to Vermont						
	FY25 - 6 Months		FY26		FY27	
	Cigarette Taxes (GF)	Sales and Use (EF)	Cigarette Taxes (GF)	Sales and Use (EF)	Cigarette Taxes (GF)	Sales and Use (EF)
Flavored Cigarettes (Menthol)	-	-	\$6,010,000	\$1,180,000	\$6,460,000	\$1,270,000
Cigars, OTP, E-Cigarettes	\$1,260,000	\$100,000	\$5,720,000	\$430,000	\$5,880,000	\$450,000
Subtotals	\$1,260,000	\$100,000	\$11,730,000	\$1,610,000	\$12,340,000	\$1,720,000
Total Revenue Loss	\$1,360,000		\$13,340,000		\$14,060,000	

Basis of estimate: Revenue losses experienced by Massachusetts as a result of their flavor ban scaled to Vermont's tax base. Adjustments made for share of smokers using menthols in both states and for the overall natural rate of decline in tobacco revenues.

Considerations:

- The Massachusetts flavor ban started on June 1, 2020, and the results of the ban are likely influenced by the early stages of the pandemic.
- Massachusetts flavor ban legislation also implemented a 75% e-cigarette excise tax, meaning that e-cigarette sales data from Massachusetts directly after the ban is reacting to both the flavor ban and the tax.
- Massachusetts has a different distribution of population, with large population centers within reasonable driving distance to New Hampshire, Rhode Island, or Connecticut.

Estimated Revenue Loss from Flavored Tobacco Ban - Revenue Loss from California Ban Scaled to Vermont						
	FY25 - 6 months		FY26		FY27	
	Cigarette Taxes (GF)	Sales and Use (EF)	Cigarette Taxes (GF)	Sales and Use (EF)	Cigarette Taxes (GF)	Sales and Use (EF)
Flavored Cigarettes (Menthol)	-	-	\$3,620,000	\$710,000	\$3,890,000	\$770,000
Cigars, OTP, E-Cigarettes	\$1,160,000	\$90,000	\$5,240,000	\$400,000	\$5,390,000	\$410,000
Subtotals	\$1,160,000	\$90,000	\$8,860,000	\$1,110,000	\$9,280,000	\$1,180,000
Total Revenue Loss	\$1,250,000		\$9,970,000		\$10,460,000	

Basis of estimate: Cigarettes - revenue losses experienced by California as a result of their flavor ban scaled to Vermont's tax base. Adjustments made for differences between flavored product usage and for the overall natural rate of decline in tobacco revenues.

Considerations:

- California implemented their flavor ban on January 1, 2023.
- California's neighboring states are further away for many residents, potentially reducing the impact of cross-border sales on California's revenues.
- RJR developed and marketed a cigarette in California that replicates menthol artificially. For a time, these types of cigarette replaced 40 percent of the menthol market after the ban. Companies finding success with flavor alternatives may lower potential revenue losses.¹

¹ <https://www.politico.com/news/2023/04/19/rjr-uses-california-as-test-market-for-skirting-coming-national-menthol-cigarette-ban-00092432>