



Increasing California Tobacco Retailer License Fees to Improve Enforcement of Flavored Tobacco Laws

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Background

The tobacco industry develops and markets flavored products to make it easier to start using tobacco and harder to quit.¹ The industry targets youth with kid-friendly flavors and has heavily marketed menthol cigarettes to disadvantaged communities, contributing to significant health disparities.¹ Restricting retailers' ability to sell flavored tobacco products helps prevent young people from initiating tobacco use and helps those who already use tobacco to quit.¹

California Senate Bill (SB) 793, which took effect December 2022, prohibits the retail sale of most flavored tobacco products, including cigarettes, e-cigarettes, little cigars and cigarillos, smokeless tobacco products, blunt wraps, tobacco rolling papers, tobacco product flavor enhancers, roll-your-own loose leaf tobacco, and cigars with a wholesale price less than \$12.² The law established fines for flavor ban violations but did not create a clear structure for enforcement.³

New Laws to Strengthen Enforcement

In September 2024, Governor Newsom signed two bills to strengthen enforcement of the flavor ban:

- SB 1230 authorizes the California Department of Tax and Fee Administration (CDTFA), the primary agency conducting retailer inspections statewide, to seize flavored tobacco products that are banned for retail sale. This law took effect January 2025. Previously, CDTFA could only seize products for which taxes had not been properly paid.⁴
- Assembly Bill (AB) 3218 requires the state Attorney General to establish a list of unflavored tobacco products that can legally be sold in California. Products that impart a menthol-like cooling sensation are excluded from the list. Any products not on the list are considered flavored and are therefore banned for retail sale. The list must be posted by the end of 2025.⁴

Why Tobacco Retailer License Fees Should Be Increased

As CDTFA ramps up efforts to enforce California's flavored tobacco laws, increasing tobacco retailer license (TRL) fees to ensure adequate funding for retailer inspections is critical, for several reasons:

Retailers are still selling flavored tobacco despite the ban.

- In one study, flavored disposable vapes and/or JUUL pods were still available in 50.3% of vape shops after the flavor ban took effect (April–July 2023).⁵ In another, 37.9% of retailers had flavored tobacco visible in their stores (July–November 2023).⁶ More recently, 19.7% of Bay Area retailers sold flavored vapes to undercover data collectors, even though in many cases the products were not visibly displayed (June–August 2024).⁶
- Among high school students surveyed in 2023, 38.5% perceived that it was still easy to obtain flavored tobacco from a store.⁷ Among those who used any tobacco, 85.6% used flavored products.⁷

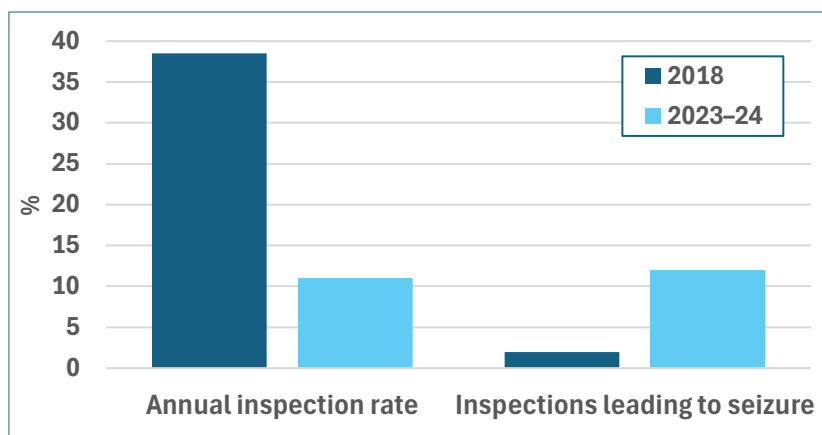
The price of licensure has not kept pace with CDTFA inspection responsibilities.

- The statewide TRL fee has not been raised since 2016 despite inflation and the increased complexity of conducting inspections.^{3,8,9} CDTFA inspectors must now ensure not only that retailers have properly paid their tobacco taxes, but that they are not selling flavored tobacco products.³
- The annual inspection rate has fallen from 38.5% in 2018 to about 11% in 2023–24, as shown in Figure 1, and is likely to keep falling if fees are not increased.^{9–12}
- The likelihood of an inspection resulting in a seizure of products increased from 2.0% in 2018 to about 12% in 2023–24 (also shown in Figure 1).^{9,10} The total wholesale cost of tobacco seized by CDTFA more than doubled from \$672,398 in 2022 to \$1,366,881 in 2023.⁹ Note that these increases occurred before CDTFA even had the authority to seize flavored tobacco products.

Proper enforcement addresses other societal costs.

- Tobacco tax evasion remains a problem. In March 2025, a Sacramento grand jury indicted five suspects for selling tobacco without a license and committing tax fraud costing California over \$24 million in lost tax revenue.¹³ CDTFA plays a critical role in ensuring that tobacco taxes are paid, but it can only do so if adequately funded to conduct inspections.
- Increasing fees and enforcement helps reduce tobacco-related disparities, a key objective of efforts to counter the tobacco industry's influence in California.¹⁴ After California last increased its TRL fees in 2016, tobacco retailer density declined significantly, both immediately and over time, with stronger effects in low-income and majority Black zip codes.¹⁵

Figure 1. CDTFA retailer inspection and tobacco product seizure rates, 2018 and 2023–24.



Source: CDTFA, Stanford Prevention Research Center and Green Info Network–California Tobacco Health Assessment Tool (CTHAT)

Next Steps

In February 2025, Assemblymember Chris Rogers (D–Santa Rosa) introduced [AB 573](#), which if passed by the Legislature and signed by Governor Newsom would increase the annual TRL fee from \$265 to \$600.^{9,12} The bill also directs the Legislative Analyst's Office to report on:

- Whether licensing fees are sufficient to maintain an effective licensing and enforcement program and attain a reasonable reduction in the availability of flavored tobacco products.
- Strategies and tools for improving efficiency and coordination among the various tobacco enforcement agencies in California.

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