



## Fiscal Services Division

December 31, 2025

### Inside this Fiscal Research Brief

#### Summary

This *Fiscal Research Brief* provides background information related to Iowa's cigarette tax and cigarette regulations. It is intended to provide introductory information on laws surrounding the sale of cigarettes in Iowa.

#### Affected Agencies

Iowa Department of Revenue

#### Iowa Code Authority

Iowa Code chapters [12E](#), [421B](#), [453A](#), [453B](#), [453C](#), [453D](#), and [453E](#)

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# Cigarette Taxation and Regulation

### Table of Contents

Background.....	p. 2
Cigarette Tax History.....	p. 2
Tax Revenue.....	p. 3
Stamps.....	p. 4
Permits.....	p. 4
Bonds.....	p. 6
Minimum Price .....	p. 7
Inventory Tax .....	p. 7
Master Settlement Agreement.....	p. 8
Other States.....	p. 8
Current Status.....	p. 10
Appendices .....	p. 13

### Graphics Table of Contents

Cigarette Tax Historical Receipts .....	p. 3
Stamp Printing Expenditures .....	p. 4
Cigarette Stamp Refunds .....	p. 4
State Permit Revenue by Permit Type ...	p. 6
Permit Prorated Price .....	p. 6
Map of Cigarette Taxes by State .....	p. 9
Map of Cigarette Use Rates by State ...	p. 11
Rate of Cigarette Use in the U.S. ....	p. 11

## Background

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A cigarette is defined in Iowa Code section [453A.1\(4\)](#) as “any roll for smoking made wholly or in part of tobacco, or any substitute for tobacco, irrespective of size or shape and irrespective of tobacco or any substitute for tobacco being flavored, adulterated, or mixed with any other ingredient, where such roll has a wrapper or cover made of paper or any other material.” For regulation and tax purposes, a cigarette includes heated tobacco products, also known as heat-not-burn tobacco products, which use heat below the point of combustion to create a vapor from tobacco. The definition of cigarette does not include other tobacco products (cigars, little cigars, and chewing tobacco), alternative nicotine products (nicotine pouches), or vapor products (electronic cigarettes). These are regulated and taxed differently.

Cigarettes in Iowa are taxed at a rate of \$0.068 per cigarette, which equates to \$1.36 for a package of 20 cigarettes. Iowa Code section [453A.6\(7\)](#) requires that cigarettes be sold in quantities of 20 or more. For simplicity, this *Fiscal Research Brief* assumes that all cigarettes are sold in packs of 20.

The cigarette tax is paid through the purchase of stamps from the Iowa Department of Revenue (IDR) that are affixed to cigarette packs. Only manufacturers and distributors with valid permits may purchase stamps from IDR.

## Cigarette Tax History

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The first tax on the sale of cigarettes in Iowa began on July 1, 1921.<sup>1</sup> Cigarettes and cigarette items were separated into four classes. Class A cigarettes, weighing three pounds per thousand or less, were taxed at a rate of \$0.02 per pack. Class B cigarettes, weighing more than three pounds per thousand, were taxed at a rate of \$0.04 per pack. Class C provided a tax on books of cigarette wrappers that were used for individuals to roll their own cigarettes. Books of between 26 and 50 wrappers were taxed at a rate of \$0.005, books of between 51 and 100 wrappers were taxed at a rate of \$0.01, and books containing more than 100 wrappers were taxed at a rate of \$0.005 per 50 wrappers. Class D provided a tax on cigarette tubes, which were empty pre-rolled cigarette wrappers, at a rate of \$0.01 for 50 tubes.

The tax rates for all classes were increased on July 1, 1953.<sup>2</sup> The Class A cigarette tax became \$0.03 cents per pack. The Class B cigarette tax became \$0.05 per pack. The Class C tax became \$0.0075 for books of 50 wrappers or less, \$0.015 for books of between 51 and 100 wrappers, and \$0.0075 per 50 wrappers for books of more than 100 wrappers. The Class D tax became \$0.015 for 50 tubes.

On July 1, 1959, the Class A tax was increased to \$0.04 per pack and the Class B tax was increased to \$0.06 per pack.<sup>3</sup> On July 1, 1965, the Class A tax was increased to \$0.08 per pack and the Class B tax was increased to \$0.10 per pack.<sup>4</sup> On July 28, 1967, the Class A tax was increased to \$0.10 per pack, the Class B tax was increased to \$0.12 per pack, and the Class C and D taxes were repealed.<sup>5</sup> On March 12, 1971, the Class A tax was increased to \$0.13 per pack and the Class B tax was increased to \$0.15 per pack.<sup>6</sup>

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<sup>1</sup> 1921 Iowa Acts, chapter [203](#) (Cigarette Act).

<sup>2</sup> 1953 Iowa Acts, chapter [74](#) (Cigarette Tax Increase Act).

<sup>3</sup> 1959 Iowa Acts, chapter [119](#) (Cigarette Tax Act).

<sup>4</sup> 1965 Iowa Acts, chapter [117](#) (Cigarette Tax Act).

<sup>5</sup> 1967 Iowa Acts, chapter [348](#) (Taxes Act).

<sup>6</sup> 1971 Iowa Acts, chapter [116](#) (Tax On Cigarettes Act).

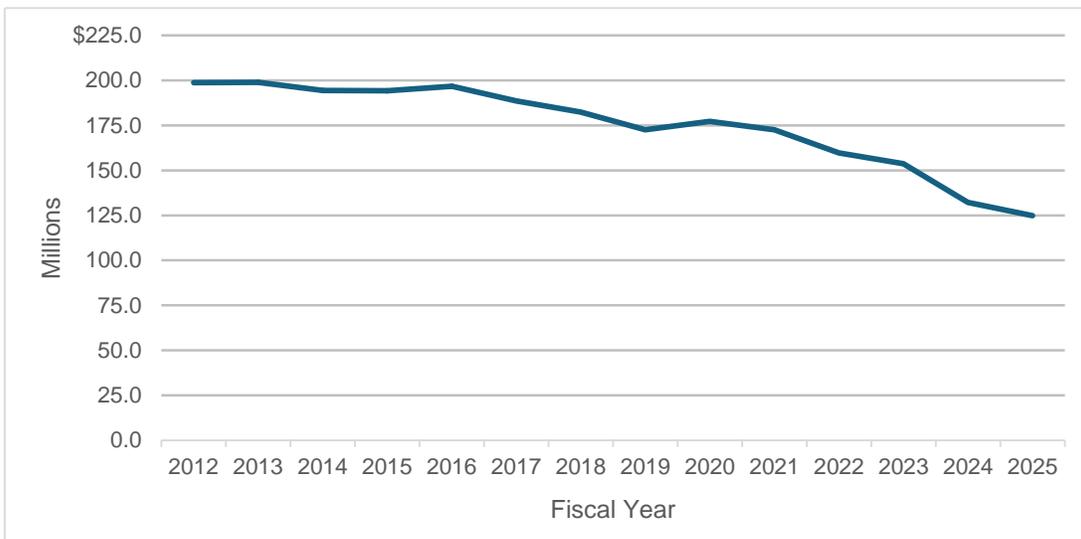
Beginning July 1, 1981, all cigarettes were taxed at a rate of \$0.18 per pack.<sup>7</sup> On October 1, 1985, the tax rate was increased to \$0.26 per pack.<sup>8</sup> On March 1, 1988, the tax rate was increased to \$0.34 per pack, and on March 1, 1989, the tax rate was decreased to \$0.31 per pack.<sup>9</sup> On June 1, 1991, the tax rate was increased to \$0.36 per pack.<sup>10</sup> On March 15, 2007, the tax rate was increased to its current rate of \$1.36 per pack and the cigarette classification system was repealed.<sup>11</sup>

On July 1, 2012, a tax was established on cigarettes assembled and dispensed from roll-your-own cigarette vending machines at a rate of \$0.0306 per cigarette, equivalent to \$0.612 per pack. This is lower than the \$1.36 per pack tax because the tobacco used to assemble roll-your-own cigarettes has already been subject to the tobacco tax of 50.0% of the wholesale sales prices.<sup>12</sup>

**Tax Revenue**

Cigarette sales in Iowa are subject to a tax of \$1.36 per pack and \$0.612 per pack on roll-your-own cigarettes. **Figure 1** shows State cigarette tax receipts from FY 2012 through FY 2025.<sup>13</sup>

**Figure 1 — Cigarette Tax Historical Receipts**



Cigarette tax revenues have been decreasing despite the tax rate remaining unchanged. Revenue declined from nearly \$200.0 million in FY 2012 to approximately \$125.0 million in FY 2025. This reflects recent trends in the cigarette market as more individuals have quit or reduced their use of cigarettes or switched to other similar products that are not subject to the cigarette tax, such as e-cigarettes.

Prior to FY 2008, all revenue generated from the cigarette tax was deposited into the General Fund. From FY 2008 through FY 2013, approximately half of cigarette tax revenue was deposited

<sup>7</sup> 1981 Iowa Acts, chapter [43](#) (Cigarette Tax Act).

<sup>8</sup> 1985 Iowa Acts, chapter [32](#) (Sales and Local Option Taxes and Wine Sales Act).

<sup>9</sup> 1988 Iowa Acts, chapter [1005](#) (Taxes On Cigarettes, Little Cigars, and Tobacco Products Act).

<sup>10</sup> 1991 Iowa Acts, chapter [267](#) (State Government Appropriations and Other Provisions Relating to State Finances Act).

<sup>11</sup> 2007 Iowa Acts, chapter [17](#) (Taxation of Cigarettes and Tobacco Products — Health Care Trust Fund Act).

<sup>12</sup> 2012 Iowa Acts, chapter [1110](#) (Administration and Oversight of Taxes, Tax Credits and Incentives, Franchise Fees, and Annexation or Severance by Cities).

<sup>13</sup> [data.iowa.gov](http://data.iowa.gov)

into the General Fund with the other half deposited into the Health Care Trust Fund (HCTF). Since FY 2014, all revenue from the cigarette tax has been deposited into the HCTF. The balance of the HCTF at the close of a fiscal year is appropriated to the Department of Health and Human Services (HHS). Since FY 2024, the appropriation has been used to support the Medicaid Program. Medicaid is a joint federal- and State-funded entitlement program that provides medical assistance to certain low-income individuals who are aged, blind, disabled, or pregnant and to children or members of families with dependent children.

In addition to the cigarette tax, cigarettes are subject to Iowa sales and use tax and any applicable local option sales tax. Cigarettes are also subject to a federal excise tax of \$1.0066 per pack, which was last increased from \$0.39 per pack in 2009.<sup>14</sup>

**Stamps**

Cigarette taxes are paid through the purchase and application of stamps. Stamps are sold by the IDR and may only be purchased by cigarette distributors or manufacturers with valid permits. The tax is paid by the entity making the “first sale” of cigarettes, which is typically distributors and wholesalers and not retailers.<sup>15</sup> The stamps are then affixed to cigarette packs to indicate that the packs can be legally sold at retail. Anyone who purchases or is in possession of unstamped cigarettes is required to pay the cigarette tax.

Stamps are sold in rolls of 30,000 or in sheets of 150. Each stamp is sold for \$1.36 minus a 2.0% discount, making the amount that the State receives \$1.3328 per stamp. The discount is used to compensate stamp purchasers for the cost of affixing stamps to cigarette packs.

The cost of printing stamps is funded by a standing unlimited appropriation to the IDR that is included each year in the Administration and Regulation Appropriations Act. Annual printing costs are estimated to be no more than \$125,000, though they can vary from year to year. **Figure 2** shows the IDR’s historical stamp printing expenditures.<sup>16</sup>

**Figure 2 — Stamp Printing Expenditures**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Printing Expenditures	\$ 111,804	\$ 20,004	\$ 56,724	\$ 113,400	\$ 98,550

The IDR may issue refunds for stamps that are unused and for stamps that are affixed to cigarettes that become unfit for use or unsalable. Refunds are available only to entities that properly purchased the stamps from the IDR. Refunds are paid out of the General Fund from any funds in the State treasury that are not otherwise appropriated. **Figure 3** shows historical cigarette stamp refunds.<sup>17</sup>

**Figure 3 — Cigarette Stamp Refunds**

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Stamp Refunds	\$ 81,124	\$ 226,261	\$ 537,117	\$ 405,669	\$ 1,188,707

<sup>14</sup> [United States Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau](#)

<sup>15</sup> Iowa Code section [453A.1\(15\)](#) defines “first sale” as the first sale or distribution of cigarettes in intrastate commerce, or the first use or consumption of cigarettes within this State.

<sup>16</sup> State Accounting System.

<sup>17</sup> State Accounting System.

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## Permits

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An entity involved in the distribution, storage, or sale of cigarettes must have a valid permit issued by the IDR for each place of business that the entity operates. Duplicate permits can be purchased if an entity operates more than one place of business. Permit fees may be prorated depending on when the permit is issued, as shown in **Figure 5**. If an entity performs multiple functions, such as being a distributor and a retailer, then multiple types of permits may be required. There are six types of permits related to cigarettes that are available in Iowa.

### **Manufacturer's Permit**

This permit allows an entity to purchase and affix stamps to cigarette packs outside of the State and allows the entity to import the stamped cigarettes into the State. The Manufacturer's Permit is available at no cost.

### **Distributing Agent's Permit**

This permit allows an entity to import unstamped cigarettes from outside the State and store those cigarettes for later distribution, delivery, or sale outside the State. Distributing agents work for Manufacturer's Permit holders. The cost of a Distributing Agent's Permit is \$100.

### **Distributor's Permit**

This permit allows an entity to produce, transport, and import unstamped cigarettes for the purpose of making a first sale in Iowa. The cost of a Distributor's Permit is \$100 for the first permit and \$5 for each duplicate permit.

### **Wholesaler's Permit**

This permit allows an entity to sell and distribute stamped cigarettes in the State for the purpose of resale. If an entity operates as a distributor and a wholesaler at the same location, then only one permit is required. The cost of a Wholesaler's Permit is \$100 for the first permit and \$5 for each duplicate permit.

### **Cigarette Vendor's Permit**

This permit allows an entity to use cigarette vending machines for the purpose of selling cigarettes to consumers. A cigarette vending machine is a self-service device that dispenses, or assembles and dispenses, cigarettes upon payment or insertion of loose tobacco product. The permit is for each place of business, such as a warehouse, and is not needed for each cigarette vending machine location. The place where the vending machine is located must be covered by a Retailer's Permit; however, if the same entity owns the vending machine and the retail location, then the entity only needs a Retailer's Permit and does not need a Cigarette Vendor's Permit. The cost of a Cigarette Vendor's Permit is \$100 for the first permit and \$5 for each duplicate permit.

### **Retailer's Permit**

This permit allows an entity to sell stamped cigarettes to consumers. A retailer holding a permit for the sale of cigarettes under subchapter I of Iowa Code chapter [453A](#) is not required to obtain a separate Retailer's Permit to sell tobacco, tobacco products, alternative nicotine products, or vapor products. The cost of a Retailer's Permit is as follows:

- Outside of a city: \$50 for the first permit and \$5 for each duplicate permit.
- In a city with a population of less than 15,000: \$75 for the first permit and \$5 for each duplicate permit.
- In a city with a population of 15,000 or more: \$100 for the first permit and \$5 for each duplicate permit.
- For a railway car: \$25 for the first permit and \$2 for each duplicate permit.

Revenue from the issuance of permits, except Retailer's Permits, is deposited into the General Fund. Retailer's Permits must be approved by the city council or the county board of supervisors in

the city or county, respectively, in which the retail establishment is located. Revenue generated from the issuance of Retailer’s Permits is remitted to the general fund of the city or county that approved the permit. **Figure 4** shows the revenue generated from State permits in FY 2023 and FY 2024.

**Figure 4 — State Permit Revenue by Permit Type**

Permit Type	FY 2023	FY 2024
Manufacturer	\$ 0	\$ 0
Distributor Agent	\$ 0	\$ 0
Distributor	\$ 4,200	\$ 4,500
Wholesaler	\$ 600	\$ 600
Cigarette Vendor	\$ 100	\$ 100
Railway Car Retailer	\$ 0	\$ 0
Duplicate Permits	\$ 5	\$ 0

Permits are valid for the fiscal year in which they are issued and expire on June 30 of each year. The fee for a permit is prorated depending on the fiscal year quarter in which the permit is issued. A permit holder is also eligible for a partial refund if an unrevoked permit is surrendered during the first nine months of a fiscal year. Refunds do not apply to any duplicate permit fees. **Figure 5** shows the prorated fee for a permit and the amount eligible for a refund compared to the annual fee.

**Figure 5 — Permit Prorated Fee**

Month	Prorated Permit Fee	Percent Refundable
July		
August	100.0%	75.0%
September		
October		
November	75.0%	50.0%
December		
January		
February	50.0%	25.0%
March		
April		
May	25.0%	0.0%
June		

**Bonds**

Permits are issued only after the required bond has been paid. Additional bonds may be required by the IDR Director if any existing bond becomes insufficient. Bonds are conditioned upon the payment of taxes, damages, fines, penalties, and costs adjudged against the permit holder for any violation of cigarette law. Bonds are required in the following amounts:<sup>18</sup>

- Manufacturer: \$5,000
- Distributing Agent: \$2,500

<sup>18</sup> [Annual State-Issued Application for Cigarette, Tobacco, or Delivery Seller Permit.](#)

- Distributor: \$2,500
- Wholesaler: \$2,500
- Cigarette Vendor: \$1,000
- Railway Car Retail: \$500
- Retail: \$0

### Minimum Price

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A variable minimum cigarette price was established on April 28, 1949, to stabilize the collection of cigarette taxes and fees and to stop cigarette wholesalers and retailers from selling cigarettes at below cost with the intent to decrease competition.<sup>19</sup> The minimum price at which a package of cigarettes can be sold by wholesalers and retailers is based on a formula established in Iowa Code chapter [421B](#). The formula is composed of the following two parts: the basic cost of cigarettes and the cost of doing business.

For wholesalers, the basic cost of cigarettes is the lower of the true invoice cost of cigarettes to the wholesaler or the lowest replacement cost of cigarettes, minus 2.0%, plus half of the cigarette tax. This reflects the cost to wholesalers for acquiring cigarettes for resale. The cost of doing business for wholesalers is presumed to be 4.0% of the wholesaler basic cost plus half of the cigarette tax. This represents the operating costs for wholesalers.

For retailers, the basic cost of cigarettes is the lower of the true invoice cost of cigarettes to the retailer or the lowest replacement cost of cigarettes, minus 2.0%, plus half of the cigarette tax, plus 4.0% of the wholesaler basic cost. This reflects the cost to retailers for acquiring cigarettes for resale. The cost of doing business for retailers is presumed to be 8.0% of the retailer basic cost plus half of the cigarette tax. This represents the operating costs for retailers.

As of August 1, 2025, minimum cigarette retail prices ranged from \$3.34 to \$14.21 depending on brand.

The minimum price formula may be modified if an entity selling cigarettes submits cost data to the IDR demonstrating that actual costs differ from the assumptions used in the formula. Cigarettes may also be sold below the minimum price to match the price of a competitor for the same product.

The minimum price formula prevents wholesalers and retailers from selling cigarettes below cost. The minimum price, however, does not apply to cigarettes sold in any of the following ways:

- In an isolated transaction.
- In a clearance sale for the purpose of discontinuing trade in cigarettes.
- As damaged products.

### Inventory Tax

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The inventory tax is owed only when there is an increase in the cigarette tax rate. It is applicable to any permit holder that possesses cigarettes for resale. It is equal to the difference between the amount of tax already paid and the amount that is required to be paid under the new tax rate.

For example, assume that the current cigarette tax rate of \$1.36 per pack was increased by \$0.01 to \$1.37 per pack effective July 1. Also assume that a company had 10 packs of cigarettes, which were already stamped and had all relevant taxes paid, in inventory on July 1. That company would be required to pay \$0.10 as a result of the inventory tax (10 cigarette packs multiplied by the \$0.01 increase in the tax rate).

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<sup>19</sup> 1949 Iowa Acts, chapter [226](#) (Cigarette Sales Act).

Items that are subject to the inventory tax include the following:

- Cigarettes that have already been taxed.
- Unused cigarette stamps that have been paid for.
- Unused metered imprints for cigarette vending machines that have been paid for.

The inventory tax does not take into account any discounts and must be paid within 30 days of the effective date of an increase in the tax rate. The inventory tax is applicable only when there is an increase in the tax rate.

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### Master Settlement Agreement

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The [Master Settlement Agreement \(MSA\)](#), signed in 1998, is a settlement between major tobacco companies and the District of Columbia, five U.S. territories, and 46 states including Iowa. As part of the MSA, cigarette and tobacco manufacturers are required to make payments in perpetuity to the State to offset costs from health problems associated with the use of their products. Every tobacco product manufacturer that sells cigarettes in Iowa must either join the MSA as a “participating manufacturer” or operate as a “non-participating manufacturer.”

Participating manufacturers make annual payments under the MSA to the Tobacco Settlement Authority established in Iowa Code chapter [12E](#). The payments consider a variety of factors including a participating manufacturer’s relative market share. The Rebuild Iowa Infrastructure Fund (RIIF) receives 22.0% of the payments, and the remaining 78.0% is used to pay the principal and interest on bonds that were issued by the Tobacco Settlement Authority. Proceeds from the bonds were used for infrastructure and health-related purposes.

Non-participating manufacturers are required to establish and make quarterly payments into a qualified escrow fund. The payments are determined by the MSA and are based on factors including the number of cigarettes sold. The escrow fund is used to pay for any judgement or settlement against the non-participating manufacturer. If the contributions to the escrow fund exceed the MSA payments that the non-participating manufacturer would have had to make had it been a participating manufacturer, then the excess contributions are returned to the non-participating manufacturer. Money in the escrow fund that has not been spent reverts back to the non-participating manufacturer 25 years after being placed into escrow. Interest earned on the escrow fund is returned to the non-participating manufacturer.

The IDR receives a standing limited appropriation of \$25,000 from the General Fund for the enforcement of financial obligations related to the MSA. This standing appropriation has been reduced each year in the annual Administration and Regulation Appropriations Act since FY 2009.

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### Other States

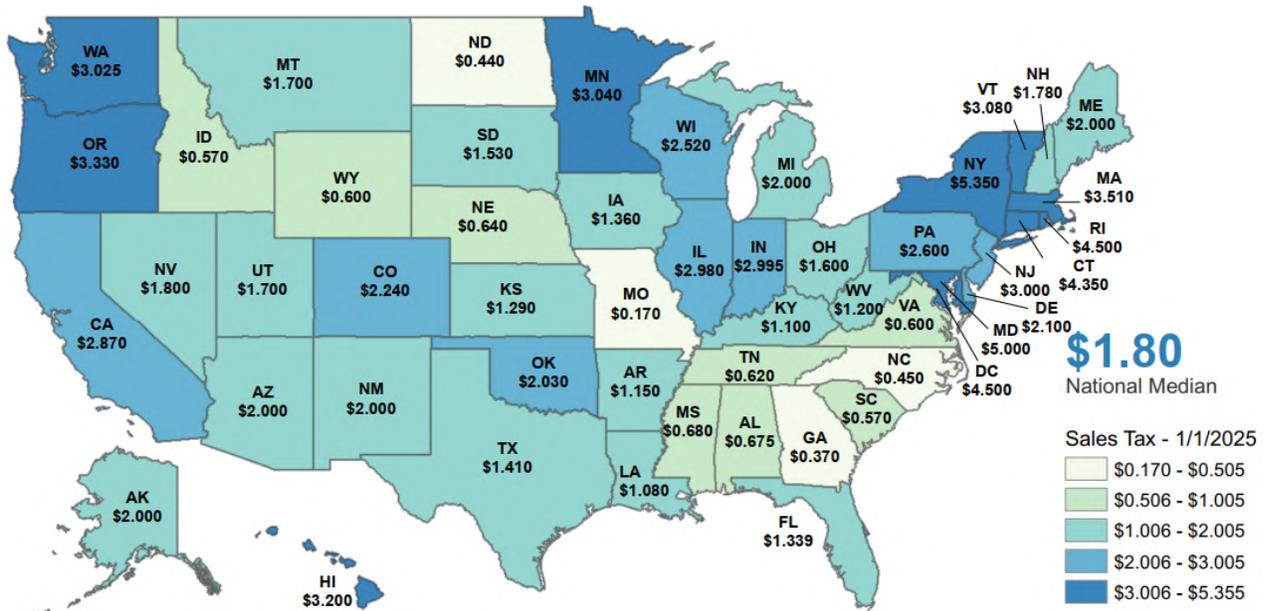
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Every state in the country, including the District of Columbia, has a cigarette tax in one form or another. **Figure 6** (map) shows the cigarette tax rate in each state as of August 1, 2025.<sup>20</sup>

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<sup>20</sup> [Campaign for Tobacco-Free Kids](#).

Figure 6 — Map of Cigarette Taxes by State



The tax varies significantly, from Missouri’s \$0.17 per pack on the low end, to New York’s \$5.35 per pack on the high end. The median state tax rate is \$1.80 per pack. Below is a brief explanation on how the surrounding states handle cigarette taxes and revenue.

**Illinois**

At a rate of \$2.98 per pack, the cigarette tax in Illinois is the 13th highest in the country. Revenue generated from the tax is expended in the following ways:<sup>21</sup>

- 7.0% for education programs.
- 34.0% for various health care programs.
- 34.0% for capital projects.
- 25.0% to the General Fund.

**Minnesota**

At a rate of \$3.04 per pack, the cigarette tax in Minnesota is the 10th highest in the country. Revenue generated from the tax is deposited in the General Fund, with approximately \$26.0 million dedicated to certain health, education, and research programs.<sup>22</sup> In addition to the cigarette excise tax, Minnesota charges a cigarette sales tax in lieu of the standard sales tax that is also deposited into the General Fund. The cigarette sales tax changes each year and is based on retail cigarette prices. For CY 2025, the cigarette sales tax rate was \$0.786 per pack.

**Missouri**

At a rate of \$0.17 per pack, the cigarette tax in Missouri is the lowest in the country. Revenue generated from the tax is expended in the following ways:<sup>23</sup>

- 76.5% (13/17) for education purposes.
- 23.5% (4/17) for various health initiatives.

<sup>21</sup> Illinois Code [35 ILCS 130](#).

<sup>22</sup> Minnesota Code section [297F.10](#).

<sup>23</sup> Missouri Code section [149.015](#).

**Nebraska**

At a rate of \$0.64 per pack, the cigarette tax in Nebraska is the 42nd highest in the country. Revenue generated from the tax is expended in the following ways:<sup>24</sup>

- 76.6% (49/64) to the General Fund.
- 1.6% (1/64) to the state park system.
- 4.7% (3/64) for cancer and smoking disease research.
- 10.9% (7/64) for building renewal.
- \$3.8 million for a public safety communications system.
- \$1.3 million for various healthcare programs.
- Any remaining revenue is dedicated to capital projects.

If there are insufficient funds to meet every allocation, then the General Fund allocation is reduced to cover the shortfall.

**South Dakota**

At a rate of \$1.53 per pack, the cigarette tax in South Dakota is the 31st highest in the country. Revenue generated from the tax is expended in the following ways:<sup>25</sup>

- \$5.0 million for tobacco prevention and reduction.
- Any remaining revenue goes to the General Fund.

**Wisconsin**

At a rate of \$2.52 per pack, the cigarette tax in Wisconsin is the 17th highest in the country. Wisconsin uses a cigarette classification system similar to the one that was used in Iowa until 1981. Class A cigarettes weighing less than three pounds per thousand are taxed at \$2.52 per pack, and Class B cigarettes weighing three pounds per thousand or more are taxed at \$5.04 per pack. Sales of Class B cigarettes are rare. Revenue generated from the tax is deposited into the General Fund.<sup>26</sup>

**Current Status**

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As of 2023, the rate of cigarette use in Iowa was 13.7%. This placed Iowa slightly above the median of 12.1% when compared to other states. West Virginia had the highest use rate at 20.4%, and Utah had the lowest use rate at 6.0%. **Figure 7** shows cigarette use rates for all 50 states.<sup>27</sup>

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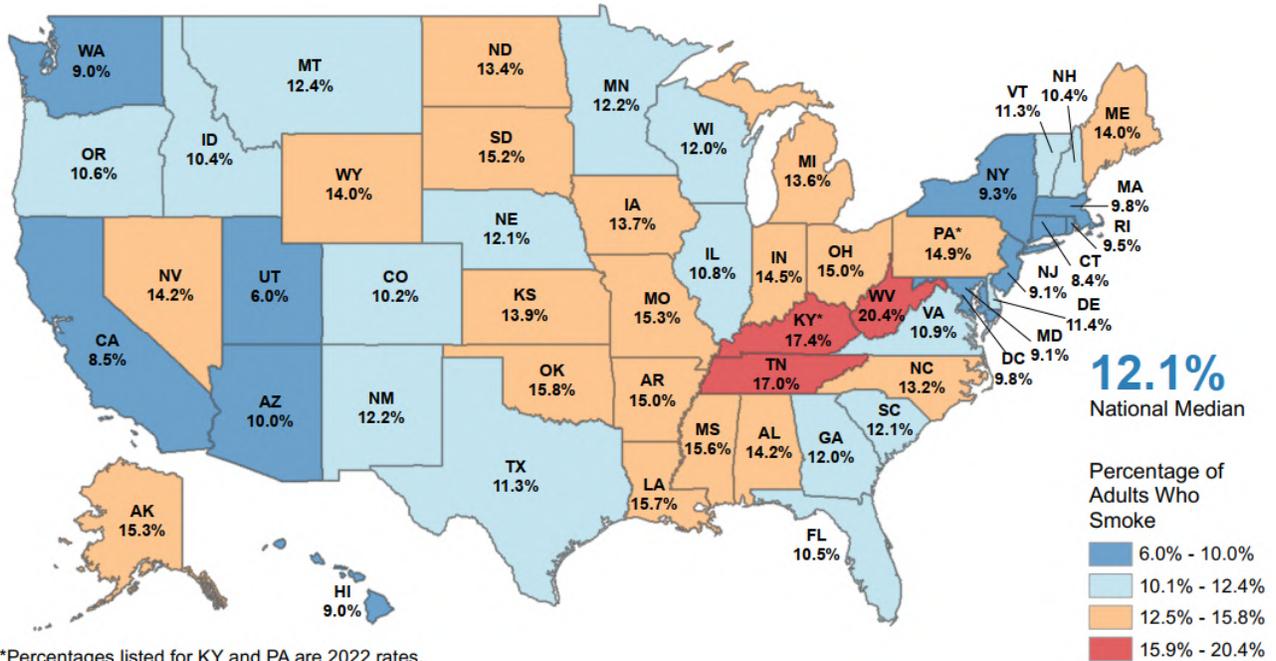
<sup>24</sup> Nebraska Code section [77-2602](#).

<sup>25</sup> [South Dakota Department of Revenue](#).

<sup>26</sup> Wisconsin Department of Revenue [General Fund Excise Taxes Report](#).

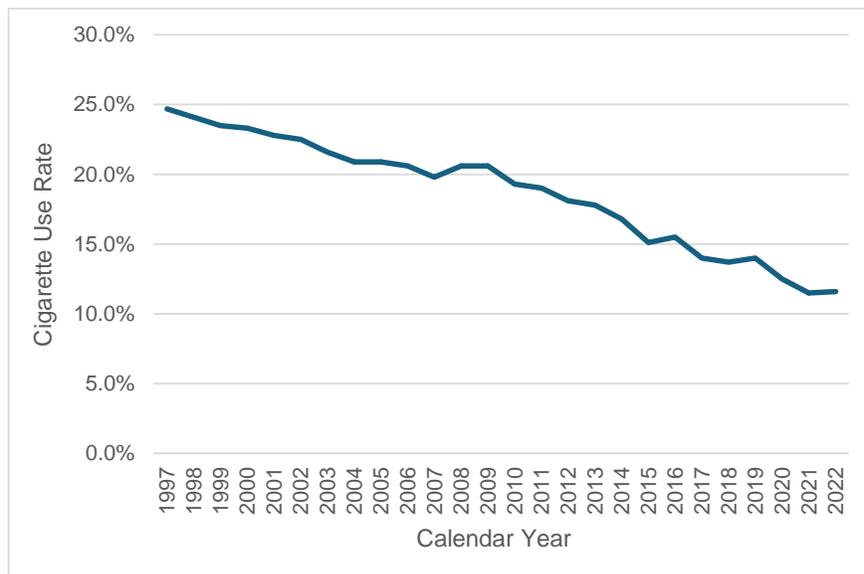
<sup>27</sup> [Centers for Disease Control and Prevention](#), [American Lung Association](#).

Figure 7 — Map of Cigarette Use Rates by State



Cigarette use has declined significantly in both the long term and short term. In 1965, an estimated 42.4% of the U.S. population used cigarettes. This dropped to 18.1% in 2012 and to 11.6% in 2022. **Figure 8** shows the cigarette use rate among the U.S. population from 1997 through 2022.<sup>28</sup>

Figure 8 — Rate of Cigarette Use in the United States



This downward trend was caused by many factors, including the success of public health campaigns, smoke-free laws and policies, increased cigarette prices (including cigarette taxes), access to tobacco cessation programs, and a transition to replacement products such as nicotine

<sup>28</sup> Centers for Disease Control and Prevention, [American Lung Association](#).

pouches and e-cigarettes. These factors are likely to continue placing downward pressure on cigarette use into the future, which would continue the downtrend in cigarette tax revenue seen in **Figure 1**. E-cigarette and other vapor product use in particular has increased quickly in recent years and may reduce future cigarette use. For those aged 18 through 25, e-cigarette and vapor product use increased nationally from 11.8% in 2020 to 24.2% in 2022.<sup>29</sup> For those aged 26 and older, use increased from 2.4% in 2020 to 6.1% in 2022.

Decreasing cigarette use in Iowa has budgetary implications. Fewer sales of cigarettes mean less cigarette tax revenue is collected in the HCTF to be used for the Medicaid Program. This places increased demands on other sources of Medicaid funding. Also, recent federal law changes have resulted in a lower federal share for Medicaid funding. A decline in State cigarette and federal funding may cause problems for Medicaid in future fiscal years. Fewer cigarette sales also decreases MSA payments to the State that are deposited into the RIIF. MSA payment history can be seen in **Appendix B**. Excluding a lump sum payment in 2024, annual MSA payments have not declined in the same way as cigarette tax revenue. This is largely due to MSA payments being tied to inflation. This provides some security for the RIIF; however, increasing use of e-cigarettes and other cigarette substitutes are likely to threaten the stability of MSA payments in the future.

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<sup>29</sup> Centers for Disease Control and Prevention, [American Lung Association](#).

## Appendices

### Appendix A — Cigarette Tax and Use Rates by State

State	Tax Rate Per Pack in 2025	Tax Rate Rank	Adult Cigarette Smoking Rate in 2023	Smoking Rate Rank
Alabama	\$ 0.675	41	14.2%	37
Alaska	\$ 2.000	21	15.3%	44
Arizona	\$ 2.000	21	10.0%	12
Arkansas	\$ 1.150	37	15.0%	41
California	\$ 2.870	15	8.5%	3
Colorado	\$ 2.240	18	10.2%	13
Connecticut	\$ 4.350	5	8.4%	2
Delaware	\$ 2.100	19	11.4%	22
District of Columbia	\$ 4.500	3	9.8%	10
Florida	\$ 1.339	34	10.5%	16
Georgia	\$ 0.370	50	12.0%	23
Hawaii	\$ 3.200	8	9.0%	4
Idaho	\$ 0.570	46	10.4%	14
Illinois	\$ 2.980	14	10.8%	18
Indiana	\$ 2.995	13	14.5%	39
Iowa	\$ 1.360	33	13.7%	33
Kansas	\$ 1.290	35	13.9%	34
Kentucky*	\$ 1.100	38	17.4%	50
Louisiana	\$ 1.080	39	15.7%	47
Maine	\$ 2.000	21	14.0%	35
Maryland	\$ 5.000	2	9.1%	6
Massachusetts	\$ 3.510	6	9.8%	10
Michigan	\$ 2.000	21	13.6%	32
Minnesota	\$ 3.040	10	12.2%	27
Mississippi	\$ 0.680	40	15.6%	46
Missouri	\$ 0.170	51	15.3%	44
Montana	\$ 1.700	28	12.4%	29
Nebraska	\$ 0.640	42	12.1%	25
Nevada	\$ 1.800	26	14.2%	37
New Hampshire	\$ 1.780	27	10.4%	14
New Jersey	\$ 3.000	12	9.1%	6
New Mexico	\$ 2.000	21	12.2%	27
New York	\$ 5.350	1	9.3%	8
North Carolina	\$ 0.450	48	13.2%	30
North Dakota	\$ 0.440	49	13.4%	31
Ohio	\$ 1.600	30	15.0%	41
Oklahoma	\$ 2.030	20	15.8%	48
Oregon	\$ 3.330	7	10.6%	17
Pennsylvania*	\$ 2.600	16	14.9%	40
Rhode Island	\$ 4.500	3	9.5%	9
South Carolina	\$ 0.570	46	12.1%	25
South Dakota	\$ 1.530	31	15.2%	43
Tennessee	\$ 0.620	43	17.0%	49
Texas	\$ 1.410	32	11.3%	20
Utah	\$ 1.700	28	6.0%	1
Vermont	\$ 3.080	9	11.3%	20
Virginia	\$ 0.600	44	10.9%	19
Washington	\$ 3.025	11	9.0%	4
West Virginia	\$ 1.200	36	20.4%	51
Wisconsin	\$ 2.520	17	12.0%	23
Wyoming	\$ 0.600	44	14.0%	35

\* Uses 2022 adult smoking rate data.

Sources: Centers for Disease Control and Prevention, American Lung Association, Campaign for Tobacco-Free Kids

**Appendix B — MSA Payments to Iowa**

<b>Calendar Year</b>	<b>MSA Payment</b>
1999	\$ 40,175,747.57
2000	\$ 50,034,013.41
2001	\$ 52,822,244.13
2002	\$ 60,241,858.51
2003	\$ 50,412,450.19
2004	\$ 54,667,451.89
2005	\$ 55,441,399.47
2006	\$ 50,724,947.76
2007	\$ 52,790,195.01
2008	\$ 75,488,463.79
2009	\$ 81,559,251.68
2010	\$ 68,669,779.44
2011	\$ 64,398,999.23
2012	\$ 65,651,121.61
2013	\$ 65,632,888.50
2014	\$ 71,606,066.23
2015	\$ 63,770,403.35
2016	\$ 66,595,427.62
2017	\$ 65,870,033.04
2018	\$ 50,887,870.59
2019	\$ 49,548,858.00
2020	\$ 49,376,132.66
2021	\$ 52,929,532.39
2022	\$ 53,183,117.14
2023	\$ 55,360,352.63
2024	\$ 184,694,850.67
2025*	\$ 45,492,217.29
<b>Total</b>	<b>\$ 1,698,025,673.81</b>

\* As of April 29, 2025.

Source: National Association of Attorneys General

**Appendix C — Cigarette Tax Revenue by State**

<b>State</b>	<b>FY 2024 Cigarette Tax Collections</b>
Iowa	\$ 132,017,918
Illinois	\$ 711,986,469
Minnesota	
Cigarette Tax	\$ 323,433,000
In-Lieu Sales Tax	\$ 74,820,000
Nonsettlement Fee	\$ 5,309,000
Missouri	\$ 91,535,956
Nebraska	\$ 56,083,439
South Dakota	\$ 36,685,000
Wisconsin	\$ 402,704,671

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