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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair  
2025 - 2026 Regular Session

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### AB 573 (Rogers) - Cigarette and tobacco products: licensing and enforcement

**Version:** July 3, 2025

**Policy Vote:** HEALTH 9 - 0, REV. & TAX.  
4 - 0

**Urgency:** No

**Mandate:** No

**Hearing Date:** August 18, 2025

**Consultant:** Agnes Lee

**Bill Summary:** AB 573 would increase the fee for a license to sell a cigarette or tobacco product.

#### **Fiscal Impact:**

- The California Department of Tax and Fee Administration (CDTFA) estimates costs of \$179,000 in 2025-26, \$74,000 in 2026-27, and \$14,000 in 2027-28 and ongoing thereafter for state administration (Cigarette and Tobacco Products Compliance Fund).
- The CDTFA estimates an increase of approximately \$5.5 million in retailer licensing fee revenues in 2026-27 due to the fee increase from \$265 to \$450.
- The Legislative Analyst's Office's (LAO's) funding comes from the Legislature's budget, which is capped by Proposition 140 (1990). Thus, to the extent the LAO would be required to perform the duties required by the bill, less resources would be available for other LAO workload.
- The California Department of Public Health (CDPH) anticipates minor and absorbable costs.

**Background:** Current law establishes the Cigarette and Tobacco Products Licensing Act, which requires retailers, wholesalers, and distributors to be licensed to sell cigarette or tobacco products. The act authorizes any peace officer, or CDTFA employee granted limited peace officer status, upon presenting appropriate credentials, to conduct inspections. For retailers, there are two kinds of licenses: one for those who sell tobacco products subject to the Cigarette and Tobacco Products Tax, and one for those whose products are not subject to that tax. Licenses are valid for one year and must be renewed annually. Current law requires a fee of \$265 to be submitted with each application or renewal for a license. Fee revenues are deposited into the Cigarette and Tobacco Products Compliance Fund for administration and enforcement of the Cigarette and Tobacco Products Licensing Act.

Current law also prohibits a tobacco retailer, or any of the tobacco retailer's agents or employees, from selling, offering for sale, or possessing with the intent to sell or offer for sale a flavored tobacco product or a tobacco product flavor enhancer. The law authorizes CDTFA or a law enforcement agency to seize the flavored tobacco products or tobacco product flavor enhancers possessed, stored, owned, or sold by the

wholesaler upon discovery of violations. The law requires CDTFA to impose a civil penalty upon a wholesaler equal to \$50 per individual “package” of flavored tobacco product or tobacco product flavor enhancer seized or delivered to CDTFA by a law enforcement agency. Civil penalties collected are deposited into the Cigarette and Tobacco Products Compliance Fund.

**Proposed Law:** Specific provisions of the bill would:

- Increase the application and renewal fee for a retailer license to sell a tobacco product, filed on or after July 1, 2026, to \$450 per retail location.
- Authorize CDTFA, by regulation, to adjust the \$450 license application and renewal fee to an amount not to exceed \$600 per retail location to maintain the Cigarette and Tobacco Products Compliance Fund at a level that is no more than necessary to cover the reasonable costs of the department for administration.
- Require, on or before December 1, 2027, and again on or before December 1, 2029, the Legislative Analyst, in collaboration with the CDTFA and the CDPH, to prepare and submit a report to the Legislature on the adequacy of funding for the cigarette and tobacco products retailer licensing program and the rate of inspection of cigarette and tobacco products retailers.
- Provide a definition for “package,” for purposes of the existing \$50 civil penalty upon a wholesaler per individual “package” of flavored tobacco product or tobacco product flavor enhancer seized or delivered to CDTFA.

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