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THIRD READING

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Bill No: AB 573  
Author: Rogers (D), et al.  
Amended: 7/3/25 in Senate  
Vote: 21

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SENATE HEALTH COMMITTEE: 9-0, 7/2/25

AYES: Menjivar, Durazo, Gonzalez, Limón, Padilla, Richardson, Rubio, Weber  
Pierson, Wiener

NO VOTE RECORDED: Valladares, Grove

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 7/9/25

AYES: McNerney, Ashby, Grayson, Umberg

NO VOTE RECORDED: Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-0, 8/29/25

AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab

NO VOTE RECORDED: Seyarto, Dahle

ASSEMBLY FLOOR: 63-1, 6/3/25 - See last page for vote

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**SUBJECT:** Cigarette and tobacco products: licensing and enforcement

**SOURCE:** American Cancer Society Cancer Action Network (co-source)  
American Heart Association (co-source)  
American Lung Association (co-source)  
Campaign for Tobacco Free Kids (co-source)

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**DIGEST:** This bill (1) increases the fee for a license to sell tobacco products in the state for each separate license in order to provide additional resources for increased enforcement of tobacco law. (2) Requires the Legislative Analyst to report to the Legislature information about the states enforcement activities and how they could be bolstered.

**ANALYSIS:**

Existing law:

- 1) Requires the California Department of Public Health (CDPH), in order to prevent tobacco-related diseases and diminish tobacco use, to establish a program to reduce tobacco use in California by conducting health education interventions and behavior change programs at the state level, in the community, and other non-school settings. Requires CDPH to conduct statewide surveillance of tobacco-related behaviors, knowledge, and attitudes, and evaluate its local and state tobacco control programs. [Health and Safety Code (HSC) §104375]
- 2) Establishes the Cigarette and Tobacco Products Licensing Act of 2003, which requires retailers, wholesalers, and distributors to be licensed to sell cigarettes or tobacco products. Authorizes any peace officer, or California Department of Tax and Fee Administration (CDTFA) employee granted limited peace officer status, upon presenting appropriate credentials, to conduct inspections. [Business and Professions Code (BPC) §22970, et seq.]
- 3) Requires a fee of \$265 to be submitted with each application for a license to sell a tobacco product. [BPC §22973.3(d)]
- 4) Requires the California Attorney General (AG) to establish and maintain on its website a list of tobacco product brand styles that lack a characterizing flavor, known as the “Unflavored Tobacco List” (UTL). Requires any “brand style” not on the UTL to be deemed a flavored tobacco product. Defines “brand style” as a style of tobacco product within a brand that is differentiated from other styles of that brand by weight, volume, size, Universal Product Code, Stock Keeping Unit, nicotine content, characterizing flavor, logo, symbol, motto, labeling, marketing, materials, packaging, or other indicia of product identification. [HSC §104559.1(a)(g)(m)(s)(1)]
- 5) 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. Provides there is a rebuttable presumption that a tobacco product is a flavored tobacco product if a manufacturer or any of the manufacturer’s agents or employees, in the course of their agency or employment, has made a statement or claim directed to consumers or to the public that the tobacco product has or produces a “characterizing flavor.” [HSC §104559.5(b)]

- 6) Defines “flavored tobacco product” as any tobacco product that contains a constituent that imparts a characterizing flavor, including any tobacco product, other than loose-leaf tobacco, a premium cigar, or a shisha tobacco product, that is not listed on the UTL. [HSC §104559.5(a)(6)]
- 7) Defines “characterizing flavor” as a distinguishable taste or aroma, or both, other than the taste or aroma of tobacco, imparted by a tobacco product or any byproduct produced by the tobacco product, including, but not limited to, tastes or aromas relating to any fruit, vanilla, chocolate, honey, candy, cocoa, dessert, alcoholic beverage, menthol, mint, wintergreen, herb, or spice. Prohibits a tobacco product from being determined to have a characterizing flavor solely because of the use of additives or flavorings, or the provision of ingredient information, but rather for the presence of a distinguishable taste or aroma, or both, that constitutes a characterizing flavor. [HSC §104559.5(a)(1)]
- 8) Permits CDTFA to seize flavored tobacco products or tobacco product flavor enhancers at a retail location or any other person’s location, if it discovers that a retailer, or any of the tobacco retailer’s agents or employees, sell, offer for sale, or possess with the intent to sell or offer for sale those products. [BPC §22974.1 and §22974.2(a)(1)]
- 9) 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, regardless of the authority used by the law enforcement agency to seize the those products. [BPC §22974.2(b)(1)]
- 10) Authorizes a CDTFA employee, upon presentation of the appropriate identification and credentials, to enter into, and conduct an inspection of any building, facility, site, or place for which there is evidence of either the evasion of the taxes imposed, or the failure to comply with the requirements of the Master Settlement Agreement (reached in 1998 between major tobacco companies and the attorneys general of 46 states, plus the District of Columbia and five U.S. territories). [RTC §30435]
- 11) Provides that certain tobacco products, upon seizure by CDTFA, be forfeited to the state. Requires specified property forfeited to the state to be sold by CDTFA at public auction, except for cigarettes or tobacco products, which are required to be destroyed. [RTC §30436 and §30449]

This bill:

- 1) Requires each application for a retailer license filed on or after June 9, 2016, and before July 1, 2026, to be accompanied with a fee of \$265 per retail location, and each application for a retailer license filed on or after July 1, 2026, to be accompanied with a fee of \$450 per retail location.
- 2) Permits CDTFA by regulation to adjust the license application fee amount not to exceed six hundred dollars (\$600) per retail location to cover the reasonable regulatory costs to CDTFA.
- 3) Requires, by December 1, 2027, and again by December 1, 2029, the Legislative Analyst, in collaboration with CDTFA and CDPH, including the Office of Youth Tobacco Enforcement, to prepare and submit a report to the Legislature on the adequacy of funding for the tobacco retailer licensing program and the rate of inspection of retailers. Permits the Legislative Analyst to request information from any state or local agency involved in enforcement of laws regulating retailers. Repeals this report requirement on January 1, 2034. Requires, to the extent data is available, the report to include, but not be limited to:
  - a) Strategies and tools to bolster coordination and efficiency between state and federal agencies and local authorities regarding enforcement of all tobacco laws and to ensure state compliance with the federal Synar regulations requiring no more than a 20% retailer violation rate;
  - b) Data and recommendations about whether the annual licensing fees are set at appropriate levels to maintain an effective licensing and enforcement program, and attain a reasonable reduction in the availability of flavored tobacco products;
  - c) Costs for transport, storage, and disposal of hazardous waste, universal waste, and other waste arising from seizures of tobacco products; and,
  - d) An evaluation of whether prior violations of analogous federal and local laws regarding the sale of tobacco products to minors should be considered when considering escalating penalties for violations of state laws regarding the sale of tobacco products to minors.
- 4) Defines “package,” for purposes of the civil penalty in 5) above of existing law, as the individual packet, box, or other container of flavored tobacco products or tobacco product flavor enhancers that are normally sold or intended to be sold at retail. “Package” does not include containers that contain smaller packaging

units of flavored tobacco products or tobacco product flavor enhancers, including, but not limited to, cartons, cases, bales, or boxes.

- 5) Deletes duplicative provisions in existing law that give CDTFA authority to seize flavored tobacco products or tobacco product flavor enhancers at a retail location or any other person's location.

## **Comments**

According to the author of this bill:

Despite recent efforts by the Legislature to ban access to flavored tobacco products, they are still getting into the hands of young people at an alarmingly high rate. More must be done to bring retailers into compliance with the law and protect young people from getting hooked on tobacco products. CDTFA is tasked with enforcing the flavored tobacco ban on the retail level but they have limited resources. This bill provides CDTFA with more funding to maintain and enhance tobacco enforcement operations. Currently, CDTFA relies on an annual allocation from the Cigarette and Tobacco Products Compliance Fund and a portion of its own budget to fund enforcement activities. Providing more funding will provide a reliable funding source from which CDTFA can build out inspection and enforcement operations. The study required in this bill on the enforcement of tobacco laws among local, state, and federal agencies serves to make recommendations for greater collaboration and efficiency. This will help guide future policy efforts to eliminate access to these dangerous and addictive products.

## **Background**

According to the Centers for Disease Control and Prevention website, cigarette smoking remains the leading cause of preventable disease and death in the United States. Cigarette smoking kills more than 480,000 Americans each year and cost more than \$600 billion in 2018; including more than \$240 billion in health care spending and nearly \$372 billion in lost productivity, (the 2018 figures being the most up to date on CDC's website last revised October 2024). In 2022, an estimated 11.6% (28.8 million, also the most current data available) of U.S. adults currently smoked cigarettes, which is defined as smoking  $\geq 100$  cigarettes during a lifetime and now smoking cigarettes either every day or some days. Smoking causes more deaths each year than the following causes combined: HIV, illegal drug use, alcohol use, motor vehicle injuries, and firearm-related incidents. More than ten times as many U.S. citizens have died prematurely from cigarette smoking than have died in all the wars fought by the U.S. Smoking causes about 90% of all

lung cancer deaths, from which more women die each year than from breast cancer. Smoking causes about 80% of all deaths from chronic obstructive pulmonary disease. Cigarette smoking increases the risk for death from all causes in men and women.

In California, smoking-related health care costs \$13.29 billion per year and smoking-related losses in productivity totals \$10.35 billion per year. In 2023, 10.0% of middle and high school students reported current tobacco product use. From 2022 to 2023, current e-cigarette use among high school students declined from 14.1% to 10.0%. E-cigarettes remained the most commonly used tobacco product among youths. Among middle school and high school students who currently use e-cigarettes, 25.2% used e-cigarettes daily, and 89.4% used flavored e-cigarettes.

*California's flavored tobacco ban.* SB 793 (Hill et al, Chapter 34, Statutes of 2020) prohibits a tobacco retailer, or any of its 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. SB 793 exempts the sale of hookah water pipes and flavored shisha tobacco products, pipe tobacco, and premium cigars from the prohibition. Fueled by kid friendly flavors like cotton candy and bubblegum, 3.6 million more middle and high school students started using e-cigarettes in 2018. The rates of teen e-cigarette use continued to rise in 2019 with the overwhelming majority of youth citing use of popular fruit and menthol or mint flavors, and there are now 5.3 million young Americans who use e-cigarettes regularly. SB 793 also included menthol flavor, which was excluded from the original U.S. Food and Drug Administration (FDA) ban. Advocates for the inclusion of menthol cigarettes in the flavored tobacco ban regularly cited that unless action was taken an estimated 1.6 million African Americans alive today, who are now under the age of 18, would become regular smokers, and about 500,000 of those would die prematurely from a tobacco-related disease.

Immediately after the passage of SB 793, the tobacco industry qualified a referendum for the ballot asking the voters to decide whether or not SB 793 should take effect, and enforcement of the ban was halted pending the November 8, 2022 election. The ballot measure, Proposition 31, was approved and SB 793 was upheld. The next day, R.J. Reynolds, the maker of Newport menthol cigarettes and top-selling vaping products filed a federal lawsuit challenging California's ban on flavored tobacco. In December 2022, the Supreme Court refused to block the law, clearing the way for the ban to take effect the following week. A subsequent challenge was submitted by R.J. Reynolds, but in January 2024, the U.S. Supreme Court declined to hear it.

*Effect of local tobacco bans and preliminary effect of statewide ban.* In an economic impact analysis project by the University of California, San Francisco submitted to CDPH on September 17, 2024, data from April 28, 2018, to December 31, 2022—before the statewide ban through SB 793 was upheld—drawn from more than 3,000 California stores with state-of-the-art quasi-experimental methods that can reliably estimate the effects of the local policies, they found that flavored tobacco sales restrictions in 109 California cities led to a substantial decrease in the sale of all tobacco products by 8.4% on average, with a notable 27.7% reduction in flavored tobacco sales. While there was some substitution towards unflavored tobacco products (3.7% increase), it did not compensate for the decline in flavored tobacco sales. Moreover, there was no increase in tobacco product sales in nearby border areas, on average. Tobacco retailers did not experience a detectable decline in the sale of non-tobacco products. First-in-the-nation policies that banned the sale of all tobacco products in Beverly Hills and Manhattan Beach resulted in cessation of tobacco sales in sample stores within six months, demonstrating high compliance rates with the policies. The analysis reveals the policies did not lead to significant cross-border shopping, indicating the policies curtailed local sales without displacing it to neighboring areas. There were no significant impacts on sales of non-tobacco products in Beverly Hills but a not statistically significant decrease in sales in Manhattan Beach, alleviating concerns about potential negative economic impacts on local retailers while also highlighting the potential variation in impacts of these policies across cities.

In another study comparing youth use of flavored tobacco before the statewide ban and immediately after, the authors—who were comprised of employees or contractors of CDPH—note that shortly following the statewide flavored tobacco ban, adolescent use of flavored cigarettes, cigars, and smokeless tobacco declined, but flavored e-cigarette use was unchanged. The authors conclude more time for implementation and enforcement may be needed to see full policy impact.

While these studies cite declines in flavored tobacco use following the statewide ban, the statistics do not incorporate data that shows, as the author and sponsors of this bill cite, despite the statewide flavor ban, illegal flavored e-cigarettes still comprise 39.8% of total e-cigarette sales in California; disposable e-cigarettes represent 90.9% of sales of prohibited flavored e-cigarettes in California; and, in 2024, California tobacco retailers still sold tobacco to underage buyers at a rate of 18.9%.

**FISCAL EFFECT:** Appropriation: No   Fiscal Com.: Yes   Local: No

According to the Senate Appropriations Committee:

- 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.

**SUPPORT:** (Verified 8/29/2025)

American Cancer Society Cancer Action Network (co-source)

American Heart Association (co-source)

American Lung Association (co-source)

Campaign for Tobacco Free Kids (co-source)

Solano County Democratic Central Committee

Tobacco Education and Research Oversight Committee

**OPPOSITION:** (Verified 8/29/2025)

None received

**ARGUMENTS IN SUPPORT:** The American Cancer Society Cancer Action Network, American Heart Association, American Lung Association, and Campaign for Tobacco-Free Kids, as cosponsors, and other supporters state the legislation that implemented the flavored tobacco ban is critical to reducing youth tobacco use, since eight out of ten youth who have ever used tobacco started with a flavored product. However, like any law, it can only be effective if fully enforced, and this bill provides necessary funding to maintain CDTFA's flavored tobacco product seizure and enforcement operations. Despite the flavored tobacco ban, illegal flavored e-cigarettes make up nearly 40% of total e-cigarette sales in California, and in 2024, California tobacco retailers sold tobacco to underage buyers at a rate of 18.9%. Supporters state that recently enacted laws requiring the UTL and giving CDTFA authority to seize and destroy flavored tobacco products



strengthen enforcement of the law. However, CDTFA is currently only able to visit 11% of tobacco retailers each year. Without additional funding from the state tobacco license, those inspection numbers will continue to decline. Therefore, this bill increases the tobacco retailer license annual fee to up-to \$600 (from the current \$265) to sustain the compliance program and provide CDTFA with more resources to remove illegal tobacco products from the market. The bill also commissions a study that would bring much-needed clarity to California's tobacco law enforcement landscape, as well as make recommendations on how to improve coordination and efficiency among California's various tobacco enforcement agencies.

ASSEMBLY FLOOR: 63-1, 6/3/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Castillo, Chen, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Patterson, Sanchez, Ta, Tangipa, Wallis

Prepared by: Reyes Diaz / HEALTH / (916) 651-4111  
8/30/25 12:18:50

\*\*\*\* END \*\*\*\*