

POLICY FACT SHEET | MAY 2026

Indiana's 2025 Tobacco Tax Increase: Early Evidence from Retail Sales Data

Effective July 1, 2025, Indiana raised its cigarette tax from \$0.995 to \$2.995 per pack, doubled its ad valorem e-cigarette tax from 15% to 30% and raised taxes on other tobacco products. Using biweekly Circana* retail scanner data and a synthetic-control design, we estimate how cigarette and e-cigarette retail sales, prices and tax revenue changed after the law.

12.6 million fewer cigarette packs sold

Second half of 2025, relative to the reference control state[†].

\$2 increase in cigarette price

Average per pack, matching the statutory tax increase.

\$170.4 million in added tax revenue

Imputed all-tobacco revenue over July–December 2025.

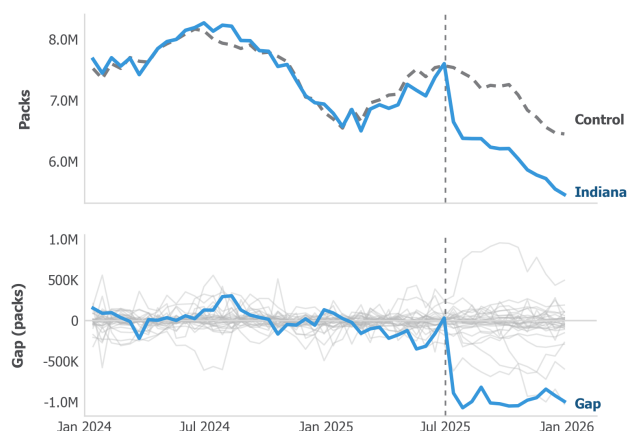
Cigarette prices rose and cigarette pack sales fell.

CIGARETTE EVIDENCE

This policy analysis finds that cigarette prices rose by about the size of the tax and cigarette pack sales fell by about 12.6 million packs in the second half of 2025. Premium cigarettes show larger price increases and larger sales declines than value cigarettes. These results remain stable in comparison-state tests and robustness checks.

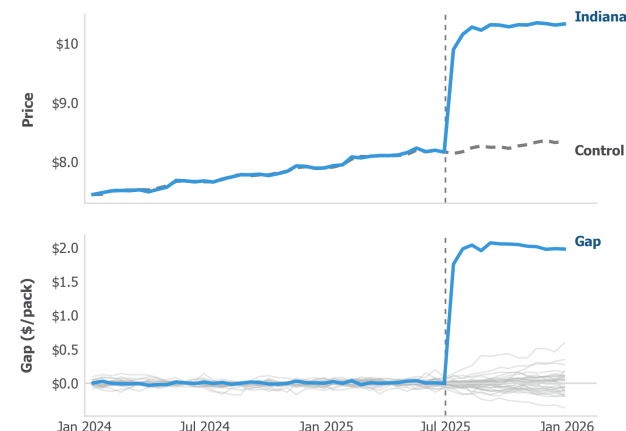
Cigarette pack sales fell sharply after July 2025.

Biweekly cigarette pack sales in Indiana and the synthetic control state



Cigarette prices rose by about \$2.00 per pack.

Biweekly cigarette price per pack in Indiana and the synthetic control state



Notes: The estimated decline is about 967,949 packs per biweekly period, or 13.8% relative to the reference control state; p-value \approx 0.03.

Notes: Prices are pre-sales-tax and reported per pack. The estimated increase is \$1.997 per pack, or 24.1% relative to the reference control state; p-value \approx 0.03.

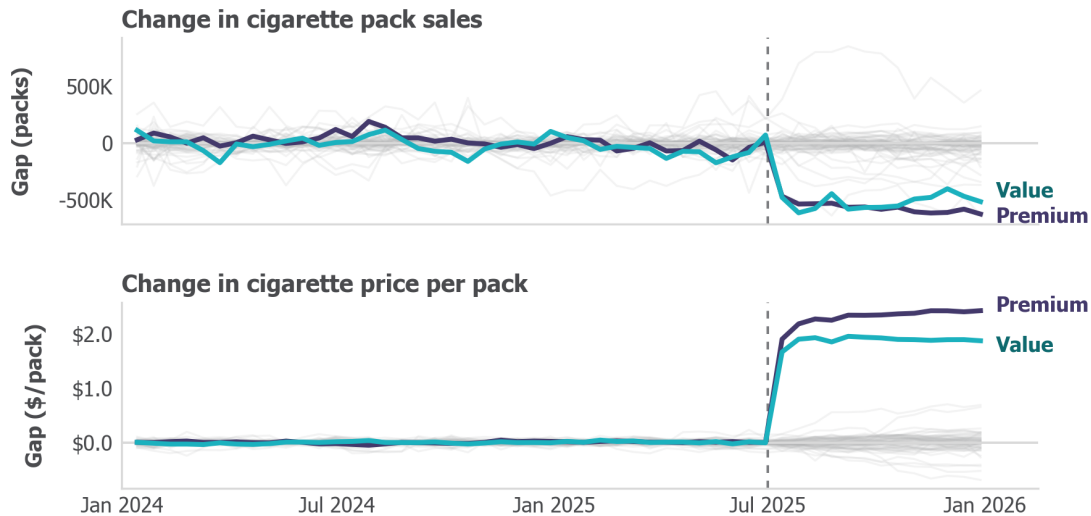
[†] See page 3, "Reference control state," for a brief explanation of the comparison synthetic control used here.

* All data in this report were prepared with retail sales data based on custom research by the CDC Foundation using Circana retail POS (Multi-Outlet and Convenience).

Premium cigarettes showed larger price increases and sales declines than value cigarettes.

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Biweekly gaps relative to the synthetic control state, with premium and value tiers labeled directly



Notes: Premium cigarettes are cigarette brands that sell for above-median prices, while value cigarettes are below-median priced brands. In the premium tier, cigarette pack sales decline by about 19.7% and price rises by about \$2.31 per pack. In the value tier, pack sales decline by about 12.2% and price rises by about \$1.88 per pack.

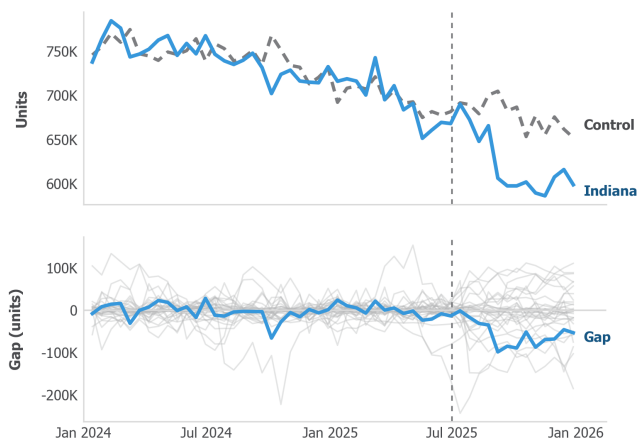
E-cigarette prices rose and e-cigarette unit sales fell.

E-CIGARETTE EVIDENCE

The e-cigarette results shown here point in the same direction: unit sales fall and prices rise after the tax increase. These findings are less definitive than the cigarette results, but they still provide coherent and policy-relevant evidence of a post-tax market response.

E-cigarette unit sales declined after the tax increase.

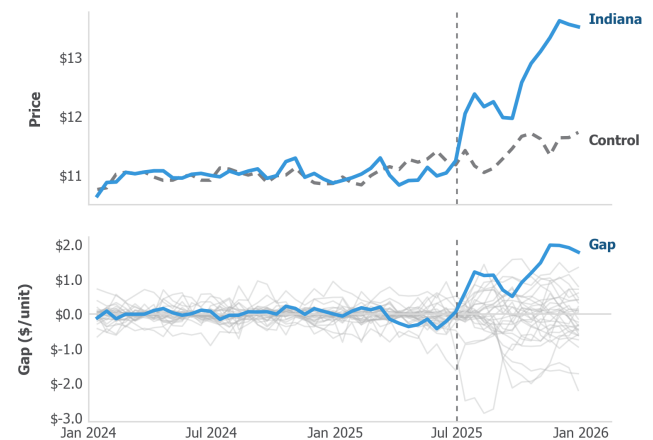
Biweekly e-cigarette unit sales in Indiana and the synthetic control state



Notes: The estimated decline is about 56,293 units per biweekly period, or 8.3% relative to the reference control state; p-value \approx 0.13.

E-cigarette prices increased after the tax increase.

Biweekly e-cigarette price per unit in Indiana and the synthetic control state



Notes: The estimated increase is about \$1.27 per unit, or 11.1% relative to the reference control state; p-value \approx 0.07.

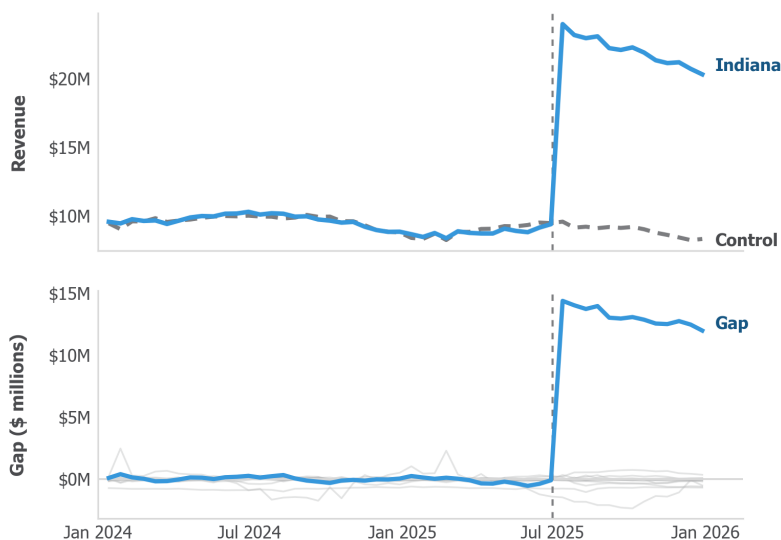
Revenue, cross-border shopping and the bottom line.

REVENUE EVIDENCE

The revenue results indicate a \$170.4 million increase in imputed cigarette, e-cigarette, moist snuff and other tobacco product tax revenue due to Indiana’s tax increase. The imputed revenue estimates closely align with Indiana’s December 2025 state revenue forecast, providing an external benchmark for these results.

The tax change substantially raised imputed tobacco tax revenue.

Biweekly imputed tobacco tax revenue in Indiana and the synthetic control state



Notes: This imputed revenue series is built from cigarette pack sales, e-cigarette sales, moist snuff sales, other tobacco product sales and statutory tax rates. The estimated increase is about \$170.4 million over July–December 2025. Indiana’s December 2025 revenue forecast implies about \$172.3 million additional tobacco tax revenue over the same period.

CROSS-BORDER SHOPPING

We also analyze sales for states bordering Indiana. The results indicate little if any spillovers into border states. State-level data cannot rule out localized border shopping, but the available evidence does not indicate meaningful state-level sales increases in Illinois, Kentucky, Michigan or Ohio after Indiana’s tax increase.

REFERENCE CONTROL STATE

The reference control state, “synthetic Indiana,” is a weighted average of other states chosen to optimally match Indiana’s outcome variables before the tax change. Headline outcomes have strong pre-treatment fit, supporting the validity of the control state. Reported p-values show how unusual Indiana’s estimates are relative to other states. Effects survive sensitivity checks on the analysis window and weighting strategy.

THE BOTTOM LINE

Indiana’s 2025 tobacco tax increase raised cigarette prices by about \$2.00 per pack and reduced cigarette pack sales. The e-cigarette findings also move in the expected direction, with unit sales lower and prices higher after the law. Imputed tobacco tax revenue also increased substantially over July–December 2025.

Source: Authors’ calculations using Circana retail scanner data and synthetic-control models. Retail sales data are based on custom research by the CDC Foundation using Circana retail POS (Multi-Outlet and Convenience). Funding provided by the Bloomberg Initiative to Reduce Tobacco Use from Bloomberg Philanthropies. Main analysis uses biweekly data from January 2024–January 2026, with July 1, 2025 as the treatment date.

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