Benefits of Indiana's 2025 Tobacco Tax Increase

Indiana Department of Health | Tobacco Prevention and Cessation

Professional Data Analysts

Tobacco use results in significant health and financial costs to Indiana and its residents. Each year, cigarette smoking causes more than 11,000 preventable deaths among Hoosiers and treating health conditions related to smoking costs the State an estimated $3.4 billion, including $634 million in costs to Medicaid.[1]

Research has shown that effective tax increases are a win-win in helping states reduce the substantial cost of tobacco. In addition to generating revenue, tax increases have been shown to reduce the burden of tobacco by preventing youth from starting to use products and by motivating people who use tobacco to cutback or quit.[2]

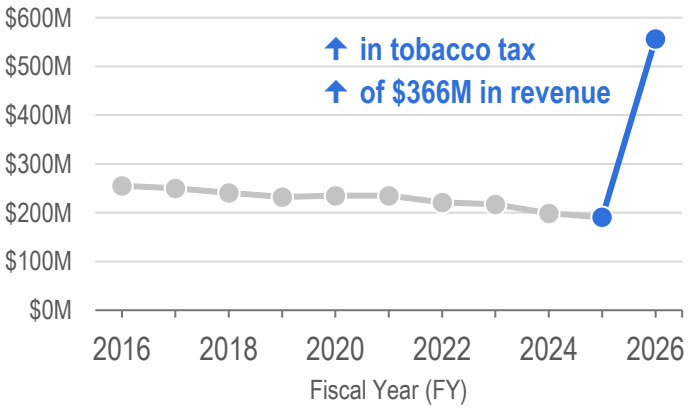
Effective July 1, 2025, Indiana increased the state's taxes on cigarettes and other tobacco products. The cigarettes tax increased from $0.995 to $2.995 per pack, taxes on e-cigarettes doubled from 15% to 30% of the wholesale price, and taxes on other tobacco products increased from 24% to 30%.

Increase in tobacco tax results in…

- **Increase in revenue**
- **Decrease in tobacco use.** It prevents youth from starting and encourages people to quit.
- **Decrease in healthcare costs.** This benefits individuals, businesses, and the State.

1 Greater revenue

Annual revenue from taxes on tobacco products[3]

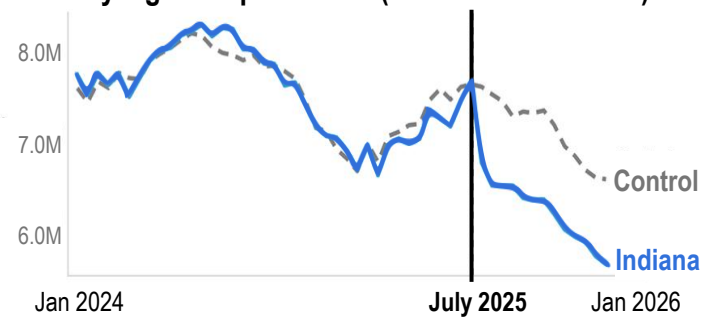


Due to the tax increase, annual revenue from taxes on tobacco products increased from **$190 million in FY 2025 to $556 million in FY 2026**. Additional revenue from the tax increase was earmarked for Medicaid.

2 Decreased consumption

In the first 6 months after the tax increase, an estimated **12.6 million fewer cigarette packs were sold in Indiana** compared to a reference control state.[4] A similar trend was observed for e-cigarette sales. Analysis of tobacco sales in neighboring states did not find evidence of a substantial increase in cross-border shopping.

Biweekly cigarette pack sales (Jan 2024 – Jan 2026)[4]



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3 Increase in Hoosiers seeking support to quit tobacco

Increasing taxes can help encourage people who use tobacco to quit. Indiana's Tobacco Prevention and Cessation supports Hoosier's who want to quit through programs that provide access to proven treatments, such as Quit Now Indiana (QNI) - the state's Quitline. **Since 2006, QNI has provided services to over 260,000 enrollments to help them quit.**

A Quit Now Indiana participant's experience

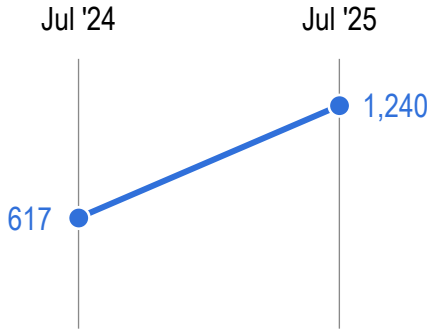
When the cost of cigarettes increased, Ron knew it was time to quit and enrolled in Quit Now Indiana

As a lifelong Hoosier who had been smoking for 30 years, Ron was baffled when he went to a nearby gas station to buy a pack of cigarettes and was told the total was "$8 and some cents." He thought the gas station had raised the price but quickly learned about Indiana's tax increase.

With a recent job loss, money was a concern, so Ron decided it was time to quit. He had tried to quit before on his own without success, but this time he found Quit Now Indiana through an internet search. "When I read about the support that comes with the program, I thought to myself, you know, that's what I need. Do this, Ron. This could work."

Ron has now quit and credits the free nicotine replacement gum from Quit Now Indiana as key to his success. He shared that one of the best things about being quit is the freedom from having to stop what he's doing to go smoke. He even decided to put the $400 a month he was spending on cigarettes towards the purchase of a new electric car. His advice to others looking to quit is "go ahead and sign up."

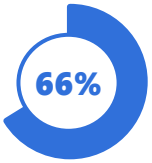
QNI enrollments doubled in the month after the tax increase compared to the year before



When enrollees were asked about different reasons why they signed up for QNI…



reported that the **cost of tobacco** was important



reported that the **tax increase** was important

Indiana offers free support to help Hoosiers quit

QuitNowIndiana.com | 1-800-784-8669
Customized plans to help adults and teens stop using tobacco.

QuitTheHitNow.com
Online support group to help young adults quit vaping.

LiveVapeFree.com
Text-based program to help young adults and teens quit vaping.

References

[1]The Toll of Tobacco in Indiana. Campaign for Tobacco Free Kids. https://www.tobaccofreekids.org/toll-of-tobacco-us/indiana. Updated August 19, 2026.

[2] Chaloupka FJ, Yurekli A, Fong GT. Tobacco taxes as a tobacco control strategy. Tob Control. 2012 Mar;21(2):172-80. doi: 10.1136/tobaccocontrol-2011-050417. Erratum in: Tob Control. 2012 May;21(3):329. PMID: 22345242.

[3] Indiana State Budget Agency, Monthly Revenue Reports, (FY 2016 – FY 2026 June Monthly Revenue Reports). Accessed September 9, 2026. https://www.in.gov/sba/budget-information/revenue-data/#tab-844794-2-Monthly_Revenue_Reports.

[4] Sturm S, Summan A, Ali FRM, Drope J. Indiana's 2025 Tobacco Tax Increase: Early Evidence from Retail Sales Data. CDC Foundation and Economics for Health. Policy Fact Sheet, May 2026. https://tobaccomonitoring.org/wp-content/uploads/2026/05/IN_PolicyFactSheet.pdf