

AS CIGARETTE SMOKE SUBSIDES, NEW PRODUCTS RAISE QUESTIONS

As Wisconsin’s rate of cigarette smoking continues to decline, the use of new tobacco and nicotine products is rising rapidly. This shift has notable implications for the health of our state, as well as for its tax revenues. Wisconsin’s heavy reliance on cigarette tax revenues is waning, and its residents increasingly are consuming tobacco and nicotine products that are much less heavily taxed.

Cigarette smoking has sharply declined across the nation and in Wisconsin, the culmination of one of the most successful public health campaigns in U.S. history. For our state’s residents, the health benefits of this change are numerous, extending the lifespans of former smokers and sparing many state residents from life-altering chronic health conditions.

In Wisconsin, this trend also affects state tax revenues. For decades, the cigarette tax has been a substantial revenue source for the state’s general fund that supports schools, health care, and other services.

As rates of cigarette smoking continue their longstanding decline, revenue from Wisconsin’s cigarette tax also dropped to \$369.6 million in the 12-

month fiscal year ending in June 2025 – a dip of 8.2% from the previous year. While they remain a significant contributor to the state’s general fund, these revenues have hit their lowest point since 1992 on an inflation-adjusted basis. The scale of this decline is considerable: at their 2010 peak, inflation-adjusted cigarette tax revenues were \$950.9 million.

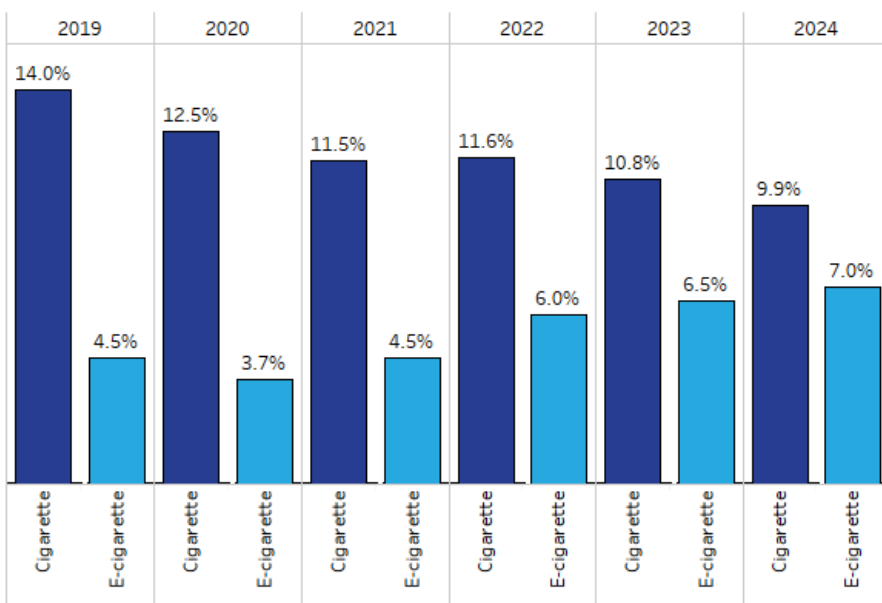
Meanwhile, usage rates are increasing for other tobacco and nicotine products, including e-cigarettes (also called vaping devices), or nicotine pouches. As these two trends unfold, surveys indicate that self-reported rates of e-cigarette use could approach or even surpass rates of cigarette smoking within the next decade.

Taxation of different types of tobacco and nicotine products in Wisconsin varies widely. E-cigarettes are taxed in Wisconsin at a rate of 5 cents per milliliter of vaping fluid. Moist snuff tobacco is taxed at 100% of the manufacturer’s list price, while nicotine pouches are not subject to excise taxes. Meanwhile, despite their ongoing decline, tax revenue from cigarettes remains far greater than revenues from other tobacco and nicotine products.

In this report, we examine rates of use of these substances and what they mean for state tax revenues and tax policy. Our analysis comes at a time when this landscape is rapidly evolving, with previous patterns of tobacco use changing, new products coming to market, and consumer preferences also shifting.

Figure 1: U.S. Rate of Smoking Falls While E-Cigarette Use Climbs

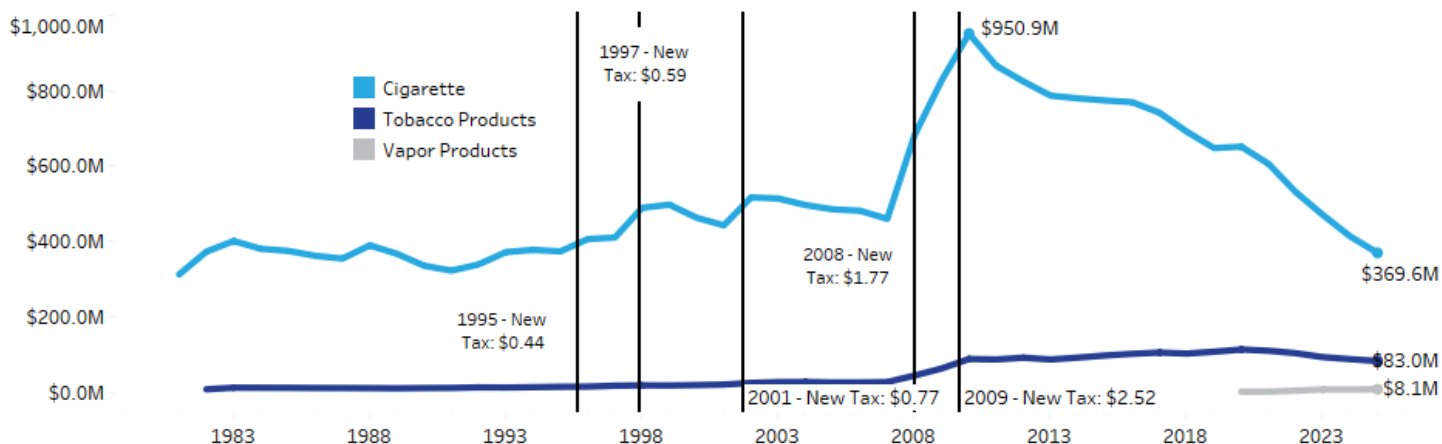
Estimated percent of U.S. adults that currently use cigarettes or e-cigarettes



Source: U.S. Centers for Disease Control



Figure 2: Cigarette Tax Collections Have Dropped Since 2010 Peak
 Inflation-adjusted tobacco and vapor products tax collections, 1980-2025, in millions



Source: Wisconsin Department of Administration. Reference lines note changes in the per pack cigarette tax.

TOBACCO, NICOTINE CONSUMPTION SHIFTS

The nation’s longstanding decline in cigarette smoking has continued during the 2020s. The share of U.S. adults who responded to the [National Health Interview Survey](#) by saying they currently smoke cigarettes dipped to 9.9% in 2024. In the five-year period prior to that, this share declined by 4.1 percentage points, or nearly 30%, according to the survey.

Meanwhile, the use of vaping devices has increased markedly, according to the U. S. Centers for Disease Control (CDC) survey. The share of U.S. adult respondents who said they currently use e-cigarettes reached 7.0% in 2024, as shown in Figure 1 on the previous page. That marked an increase of 2.5 percentage points, or 55.6%, over the five-year period.

These data are only available at the national level. Other state-level data tracking cigarette and e-cigarette use suggest Wisconsin’s usage of these products generally tracks the national rate or is slightly above it. The surveys do not indicate how many respondents may use more than one tobacco or nicotine product.

In 2023, state policymakers updated state regulations on e-cigarettes. The new law created an [electronic vaping device directory](#) maintained by the state Department of Revenue, which was implemented in late 2025. As of May, this registry included more than 340 devices. The law prohibits the sale of unregistered electronic vaping devices. It also requires retailers of electronic vaping devices to obtain a license to do so from their municipal clerk, in the same manner as cigarette and tobacco retailers are required to do.

A newer entrant in this industry are nicotine pouches such as Zyn, which contain a powder made of nicotine, flavorings and other ingredients. The [powder dissolves in the mouth](#), and nicotine is absorbed through the gums and lining of the mouth. Such pouches became available for retail purchase in some states in the 2010s; their marketing was formally authorized by the U.S. Food and Drug Administration (FDA) in 2025.

Surveys suggest nicotine pouch users remain a small share of the total population. [One recent study](#) was based on 2022 and 2023 responses to the Tobacco Use Supplement to the U.S. Census Bureau’s Current Population Survey. It found the share of respondents during this period who said they were current nicotine pouch users was about 0.42%.

However, the number of current users has risen, [especially among teens and young adults](#). There also is evidence that use is higher among people who recently quit using other tobacco or nicotine products.

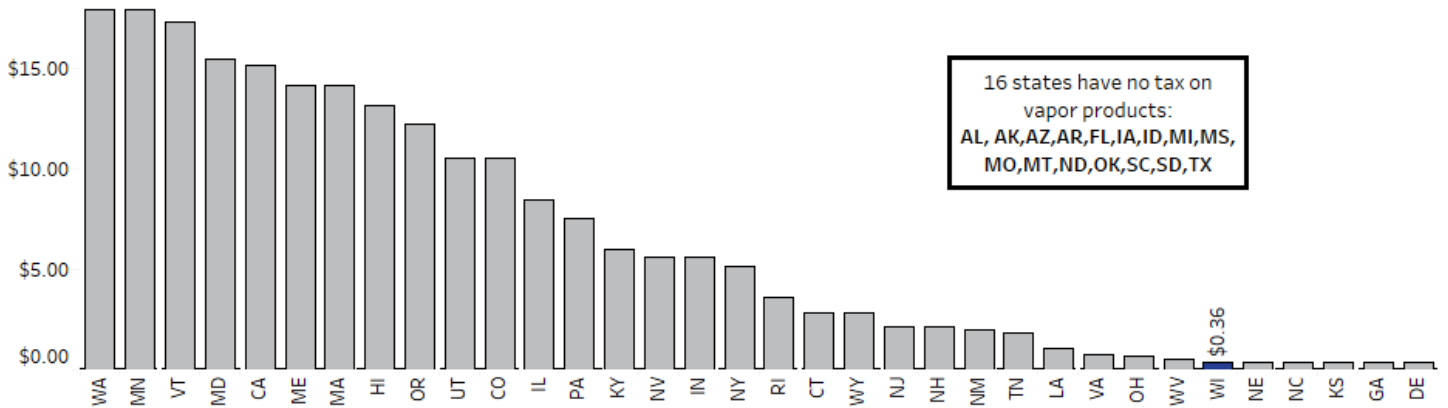
CIGARETTE TAX REVENUES DECLINE

Like other states, Wisconsin imposes an excise tax on cigarettes. This means the tax rate is imposed based on the amount of product purchased – in this case, 20 cigarettes per pack – rather than its cost, as is the case with the state sales tax. This tax is applied in addition to the federal cigarette excise tax (\$1.01 per pack), state sales tax (5%), and any county sales tax. Cigarette tax revenues are deposited in the state’s general fund and used to fund K-12 schools, the Universities of Wisconsin, health care for low-income residents, and aid to local governments.



Figure 3: Wisconsin's Vapor Products Tax Tied for Lowest among States With a Tax

Vapor products tax on a 4-pack of 1.8 mL vapor cartridge, by state (2026)



Source: Tax Foundation. Total tax calculated based on a sample four-pack of 1.8 mL cartridge to compare taxes levied per mL to taxes levied on the basis of wholesale prices. Fifteen states do not levy a vapor products tax. Iowa passed vapor products tax legislation in May of 2026.

In 2008 and again in 2009, Wisconsin's cigarette tax rate was increased to reach its current level of \$2.52 per pack. This triggered a sharp increase in cigarette tax collections, which peaked in 2010 (see Figure 2 on the previous page). Tax collections fell in 2011, then plateaued until 2014. Since then, tax collections have seen a nominal decline.

As of 2026, Wisconsin's excise tax rate of \$2.52 per pack ranked 18th-highest among the states, compared to the U.S. median state rate of \$1.90, according to the [Federation of Tax Administrators](#).

COMPARING STATE RANKS

The differences in the manner in which various tobacco and nicotine products are sold and taxed make it impossible to compare their taxation levels on an apples-to-apples basis. One of the largest e-cigarette brands, JUUL, has estimated that one of its 0.7 milliliter vape cartridges is "approximately equivalent to about 1 pack of cigarettes." [Researchers from Stanford University](#) and the University of California-San Francisco also found that "one JUUL pod appears capable of delivering the nicotine equivalent to smoking about a pack of cigarettes."

Based on these and other examples, it is clear that cigarettes are taxed more than most other tobacco and nicotine products. E-cigarettes currently are subject to a Wisconsin excise tax rate of five cents per milliliter of vapor liquid, as established in a [2019 state law](#).

At the start of 2026, 34 states imposed an excise tax on vaping products, [according to the Tax Foundation](#).

These states have varying tax structures that complicate state-to-state comparisons. To facilitate that, the Tax Foundation calculated the amount of tax each state would charge on a package of four 1.8mL vaping cartridges. It found Wisconsin's vaping tax was tied with five other states for the lowest rate (see Figure 3).

In Wisconsin, the amount of excise tax due for this four-pack of vaping cartridges is 36 cents. Among all 50 states, including the 16 that collect no vapor taxes, the median amount of excise tax due is 94 cents. (One of the 16 states, the neighboring state of Iowa, recently saw its [Legislature vote to adopt](#) a five-cent-per-milliliter tax on vapor fluid. As of the publication of this report, that measure awaited action from Iowa Gov. Kim Reynolds.)

The state vaping tax also includes an unusual exemption: the tax does not apply to vaping fluid sold separately from a vapor product or device. The nonpartisan [Legislative Fiscal Bureau notes](#) that Wisconsin is currently the only state that taxes vapor liquid only when sold as part of a vapor product or device. All other states also tax liquid sold separately.

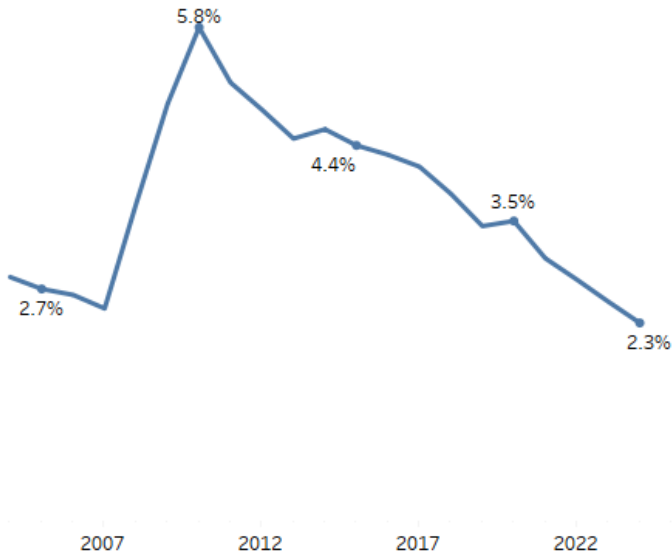
Revenues from Wisconsin's e-cigarette tax have increased rapidly since fiscal year 2020, the first in which it was collected, when collections produced \$1.3 million. By fiscal 2025, these collections were up to \$8.1 million, amounting to a more than five-fold increase in just five years.

Still, this amount was only about 2.2% of state cigarette tax revenues collected the same year. As our state increasingly trades cigarette tax revenues for vapor tax



Figure 4: Nicotine Taxes Shrink as a Share of State Taxes

Cig., tobacco, and vapor products tax as a share of general fund taxes



Source: Legislative Fiscal Bureau Informational Paper

revenues, one implication is that the role of tobacco and nicotine excise taxes is dwindling as a contributor to the state's general fund. As recently as 2010, nearly \$6 out of every \$100 that went into the state's general fund, came from these taxes (see Figure 4). That share has since declined from 5.8% in 2010 to 2.3% in 2024.

A Department of Revenue fiscal estimate found that the implementation of the electronic vaping device directory in September 2025 is expected to lower vapor tax collections by 28%, to \$5.8 million, for the 12-month fiscal year that ends June 30. Vapor product tax collections are expected to rebound and increase thereafter.

The estimate also projected what could occur if the tax exemption for vaping fluid sold separately was removed at the start of the 12-month fiscal year beginning July 1, 2027. The department found vapor tax revenues would rise from a projected \$8.47 million to \$12.96 million, a 53% increase. However, the estimate assumed the tax increase would have no impact on demand, which might not be the case.

CONCLUSION

Wisconsin's massive cigarette tax increases in 2008 and 2009, adopted during a time of enormous strain on state finances, generated substantial revenue for the state's main fund. They may also have [contributed to our state's long-term decline](#) in smoking, which has been a major benefit for the state.

Yet developments since then underscore how these two outcomes actually exist in tension. Using tax policy to reduce rates of use of a harmful substance may achieve that goal, but at the expense of diminishing a key source of revenue to fund state priorities.

This is particularly true as habits of tobacco and nicotine consumption undergo a rapid shift. Cigarettes are all but certain to continue to decline as a key revenue source for the state. Revenues from other tobacco and nicotine products are increasing considerably on a proportional basis. But since those products are taxed much less heavily, those revenues are not offsetting what is being lost.

Looking forward, state policymakers may wish to re-examine the state's system of taxation for tobacco and nicotine products. The current system amounts to a confusing patchwork that may warrant changes to enhance its fairness and consistency. One consideration has been, and may continue to be, how our state's excise tax code affects incentives for or against the use of specific substances. There is no question that the decline in cigarette smoking – likely aided at least in part by a heavy taxation rate, as well as the availability of substitutes such as vapor products – has been a huge public health win for Wisconsin.

Now, as new tobacco and nicotine products increasingly populate the marketplace, policymakers will need to consider how state taxes may affect their usage. This is particularly true if policymakers wish to embrace a harm-based taxation model in which taxation levels are tied to the degree of public health harms that are linked to a product.

At the time of publication of this report, the health effects of various new tobacco and nicotine products are not yet fully understood. [Research has indicated](#) that e-cigarettes likely are less harmful than cigarettes overall. Yet they still have been shown to have [negative effects](#) on respiratory and cardiovascular function, and [may be carcinogenic](#).

Less is known about the health impacts of nicotine pouches, as they are a newer product. As mentioned earlier, nicotine pouches are not currently subject to any excise tax in Wisconsin.

Another high-profile debate in our state has centered on whether marijuana should be legalized and taxed, with revenues potentially allocated to fund priorities like



schools, health care, or drug rehabilitation. Debate also continues with regard to the complex, fast-evolving legality of the sale of hemp-based products.

As those debates continue, policymakers may wish to consider cigarette taxes as an example of how taxing substances or habits with negative health impacts can generate an initial windfall and – depending on the rate and manner of taxation – potential public health benefits. But they should also consider such measures with their eyes open to future fiscal implications, including the possibility of diminishing returns if public health objectives are met.

