



## **ECONOMIC IMPACT OF FDA'S PROPOSED FLAVORED CIGAR BAN** *A Solution in Search of a Problem*

**Summary:** The US Food and Drug Administration's proposed flavored cigar ban (Federal Register May 4, 2022, link: [Tobacco Product Standard for Characterizing Flavors in Cigars](#)), if finalized, will have massive economic consequences for the cigar industry and its employees; severe tax revenue losses for federal, state, and local governments; and deny adult consumers the right to purchase a legal product.

In 2021, flavored cigars accounted for as much as 47 percent of total industry sales (depending on how FDA decides to apply the proposal's vague definition of "characterizing flavor"), amounting to approximately seven billion cigars. An economic impact analysis projected losses of nearly \$4 billion in retail sales, over 16,000 jobs, and an estimated \$750 million in tax revenues.

Meanwhile, FDA's justification for the ban is to combat youth usage of flavored cigars. Yet according to the government's own data, less than 0.6 percent of youth use flavored cigars. Thus, removing them from the market, as FDA proposes, would have almost no impact on tobacco consumption by youth.

### **National Economic Impact:**

- In 2021 total cigar sales (flavored and traditional), were estimated at approximately 15 billion units, with a retail value of around \$13 billion. Estimates are that between 37% and 47% of all cigars are flavored (depending, again, on what FDA determines to be a "characterizing flavor").
- While any benefits of FDA's proposed ban will be limited, the economic costs will be substantial.

### **2021 Economic Study:**

- In 2022, the Policy Navigation Group, an economic consulting firm, reviewed 2020 data to measure the economic impact of the proposed ban of flavored cigars on the U.S. economy, all levels of government, and on individuals.
- Following the ban, an estimated 32% of all sales will be lost.
- Retail sales are projected to decline by nearly \$4.0 billion, eliminating an estimated 16,000 jobs, and wages of \$840 million.

## **Federal, State and Local Excise Tax Impacts:**

- As flavored cigar sales are lost, both excise and sales taxes will be reduced. In the 2022 study, at the federal level, a total of \$180 million in excise taxes were projected to disappear.
- Certain state and local governments also impose excise taxes on cigars. These taxes could be reduced by an additional \$420 million. In addition to excise taxes, many state and local governments also impose sales tax. State sales tax collections are projected to decline by approximately \$150 million.
- Including federal, state, and local governments, the proposed ban is projected to reduce tax revenues by a combined annual total of approximately \$750 million.

## **Few Youth Use Flavored Cigars, Limited Benefits**

- FDA's proposed ban on characterizing flavors in cigars would impose substantial costs and burdens on the U.S. economy; on federal, state, and local governments; and on adults who purchase almost all flavored cigars.
- FDA claims the ban would reduce the appeal of cigars to youth, thereby reducing youth usage. While there are various measures of youth cigar usage, all have been declining, are at historic lows, and show youth usage rates for any cigar use around only one percent and youth usage of flavored cigars less than 0.6 percent.<sup>i</sup>
- Since almost no youth use flavored cigars, any benefits would be almost nonexistent. This means that unnecessary economic costs will be borne by adults and governments.
- Ultimately, a flavored cigar ban is a solution in search of a problem, with massive economic consequences.

**For further information, including statement references, please contact CAA President David Ozgo at [dozgo@cigarassociation.org](mailto:dozgo@cigarassociation.org).**

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<sup>i</sup> See Consilium Sciences, "Evaluation of Flavored Cigar Products as they Relate to Questions of Public Health – Supplement to October 2020 Report" (2022), Appendix Tables 1 and 3.