

Cigarette Tax Increase Tool Kit

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Key Messages for Education on the Role of Taxes on Cigarettes and Sugar-Sweetened Beverages to Improve Public Health

Background:

These are extraordinary times for New York State. Never before has the state been so short of cash, had such large deficits and been faced with insufficient resources to pay for education and health care. The projected budget shortfalls threaten our public health gains, all of our public health programs and the funding of our many contractors and partners.

If we combine the many resources, especially people power, to present a unified message in educating the public and key stakeholders, partners, and elected officials we are more likely to be heard.

WIN # 1: Improved Health for Children and Adults

Taxes that increase the price of unhealthy items, such as cigarettes or alcohol, are one of the most effective ways to reduce their purchase and use. While cigarette taxes are a proven strategy to decrease smoking, evidence that taxes on sugar-sweetened beverages will reduce their consumption and decrease obesity is emerging.

New York needs to take the lead in implementing these important initiatives to improve the health of New Yorkers.

- Every 10 percent increase in the price of cigarettes will reduce youth smoking by about 7 percent and overall cigarette consumption by about 4 percent.
- A \$1 increase in the cigarette tax in New York would prevent 106,500 children from becoming smokers in the future. For every three children prevented from becoming smokers, one smoking caused death is averted.
- A tax of 1 cent per ounce on sugar-sweetened beverages is expected to increase the price of soft drinks by 17% on average and reduce their consumption by a minimum of 10 percent. The impact on youth is expected to be even higher.
- Reducing consumption of sugar-sweetened beverages by 10 percent would save about 6,500 calories per year. If not replaced by other caloric beverages or food, this could reduce yearly weight gain by 2 pounds.

Win #2: Higher Revenue for New York State

Revenue raised through these taxes will go to the New York State Health Care Reform Act (HCRA) Resources Fund to support health care and health related initiatives, such as health promotion, tobacco control, and obesity and other chronic disease prevention programs.

- Taxes on cigarettes and sugar-sweetened beverages are a reliable source of revenue for states.
- A \$1 increase in the New York cigarette excise tax would create \$200 million in new annual revenue for the State.
- A one cent per ounce excise tax on sugar-sweetened beverages in New York is expected to raise \$450 million in new revenue in 2010-11 and \$1 billion in 2011-12 and beyond for the State.
- New Yorkers are already paying dearly for the medical costs associated with treating obesity, diabetes and tobacco caused disease. The portion of our state and federal taxes that goes to pay for treatment of obesity-related diseases is estimated at \$771 per New York household and for treatment of smoking-related diseases is \$822 per New York household.

Win #3: Public Support for Tobacco and Soft Drink Taxes

In national and state polls across the country, there is overwhelming public support for tobacco tax increases and for taxes on soft drinks, especially if those funds are used to help prevent youth from smoking and reduce childhood obesity.

- In New York, 59% of adults support a \$1 increase in the cigarette tax. If revenue from the tax is used to help smokers quit, 77% of New Yorkers support a tax increase.
- In New York, 52% of adults support a tax on soft drinks. If revenue from the tax is used to help prevent obesity among children and adults, 72% of New Yorkers would support such a tax.

Increasing cigarette taxes and levying taxes on sugar-sweetened beverages are **WIN, WIN, WIN** solutions for New York - a health win that reduces smoking, decreases obesity and diabetes, improves health and saves lives; a fiscal win that raises revenue and reduces health care costs; and a political win that is supported by New York citizens.

HEALTH AND ECONOMIC IMPACT OF TOBACCO USE IN NEW YORK

DEATHS AND ILLNESS IN NEW YORK CAUSED BY SMOKING

Annual average smoking attributable deaths	25,400
Youth currently ages 0-17 projected to die from smoking	389,000

ANNUAL COSTS INCURRED IN NEW YORK FROM SMOKING

Total medical costs to treat smoking caused disease	\$8.17 billion
Medicaid costs to treat smoking caused disease	\$5.4 billion
Lost productivity costs associated with smoking	\$6.05 billion

PROGRAM FUNDING LEVELS FOR TOBACCO

FY 2009 tobacco generated revenue (tax and settlement payments)	\$2.097 billion
CDC recommended annual level of investment for NYS tobacco control	\$254.3 million
Current NY tobacco control funding	\$55 million

TOBACCO INDUSTRY INFLUENCE IN NYS

Annual tobacco industry marketing expenditures in NY each year	\$429.6 million
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When program funding is cut, progress in reducing tobacco use erodes, and the state suffers from higher levels of smoking and more smoking-caused deaths, disease, and costs.

NEW YORK STATE DEPARTMENT OF HEALTH

New Revenues, Public Health Benefits and Cost Savings From a \$1.00 Cigarette Tax Increase in New York

Current state cigarette tax: \$2.75 per pack (3rd among all states)
Smoking-caused costs in New York: \$21.91 per pack

Annual healthcare expenditures in New York directly caused by tobacco use: \$8.17 billion
Smoking-caused state Medicaid program spending each year: \$5.40 billion

*New Annual Revenue from Increasing the Cigarette Tax Rate by \$1.00 Per Pack:
 \$200 million in SFY 10-11; \$205 million in SFY 11-12*

Projected Public Health Benefits from the Rate Increase	
<i>Percent decrease in youth smoking:</i>	9.4%
<i>Kids in New York kept from becoming addicted adult smokers:</i>	106,500
<i>Current adult smokers in the state who would quit:</i>	53,800
<i>Smoking-affected births avoided over next five years:</i>	9,650
<i>New York residents saved from premature smoking-caused death:</i>	48,300
<i>5-year health savings from fewer smoking-affected pregnancies & births:</i>	\$16.4 million
<i>5-year health savings from fewer smoking-caused heart attacks & strokes:</i>	\$23.6 million
<i>Long-term health savings in the state from adult & youth smoking declines:</i>	\$2.3 billion

These projections incorporate the effect of both ongoing background smoking declines and the continued impact of the 61.66-cent federal cigarette tax increase (effective April 1, 2009) on prices, smoking levels and pack sales.

Projections are based on research findings that each 10% cigarette price increase reduces youth smoking by 6.5%, adult rates by 2%, and total consumption by 4% (adjusted down to account for tax evasion effects). Revenues still increase because the higher tax rate per pack will bring in more new revenue than is lost from the tax-related drop in total pack sales. Kids stopped from smoking and dying are from all kids alive today. Long-term savings accrue over the lifetimes of persons who stop smoking or never start because of the rate increase. All cost and savings in 2004 dollars.

2008 was the last time NYS raised its cigarette excise tax. As a result of the \$1.25 2008 cigarette tax increase:

- More smokers called the Free State Smokers' Quitline for help free NRT starter kits.
- More smokers made quit attempts.
- There was a reduction in the average number of cigarettes smoker per day among continuing smokers.
- The increase in the tax contributed to the lowest adult and youth smoking rates on record in NYS.
- State revenues have increased by more than \$350 million annually despite increases in smoking cessation, reduction in the average number of cigarettes smoker per day, and reductions in adult and youth smoking prevalence.

In every single instance where a state has passed a significant cigarette tax increase, the state has enjoyed a substantial increase to its state cigarette tax revenues, well above what they would have received absent any rate increase. Increasing the cigarette excise tax is a proven public health intervention that saves lives and money. Expert conclusions and recommendation to raise cigarette taxes include:

- 2007 Report Ending the Tobacco Problem: A Blueprint for the Nation
- President's Cancer Panel's 2007 report, Promoting Healthy Lifestyles
- 2000 Surgeon General's Report, Reducing Tobacco Use

A Healthier New York

The Executive Budget will make New York a leader in improving the long-term health of its citizens through two proposed tax actions – a \$1.00 increase in the cigarette excise tax and a new excise tax on beverage syrups and soft drinks. These dedicated taxes are intended to lower long-term health care costs by discouraging unhealthy consumption habits that put New Yorkers at risk for obesity, diabetes, cancer, heart failure, strokes, and other diseases.

Dedicated Tax on Cigarettes

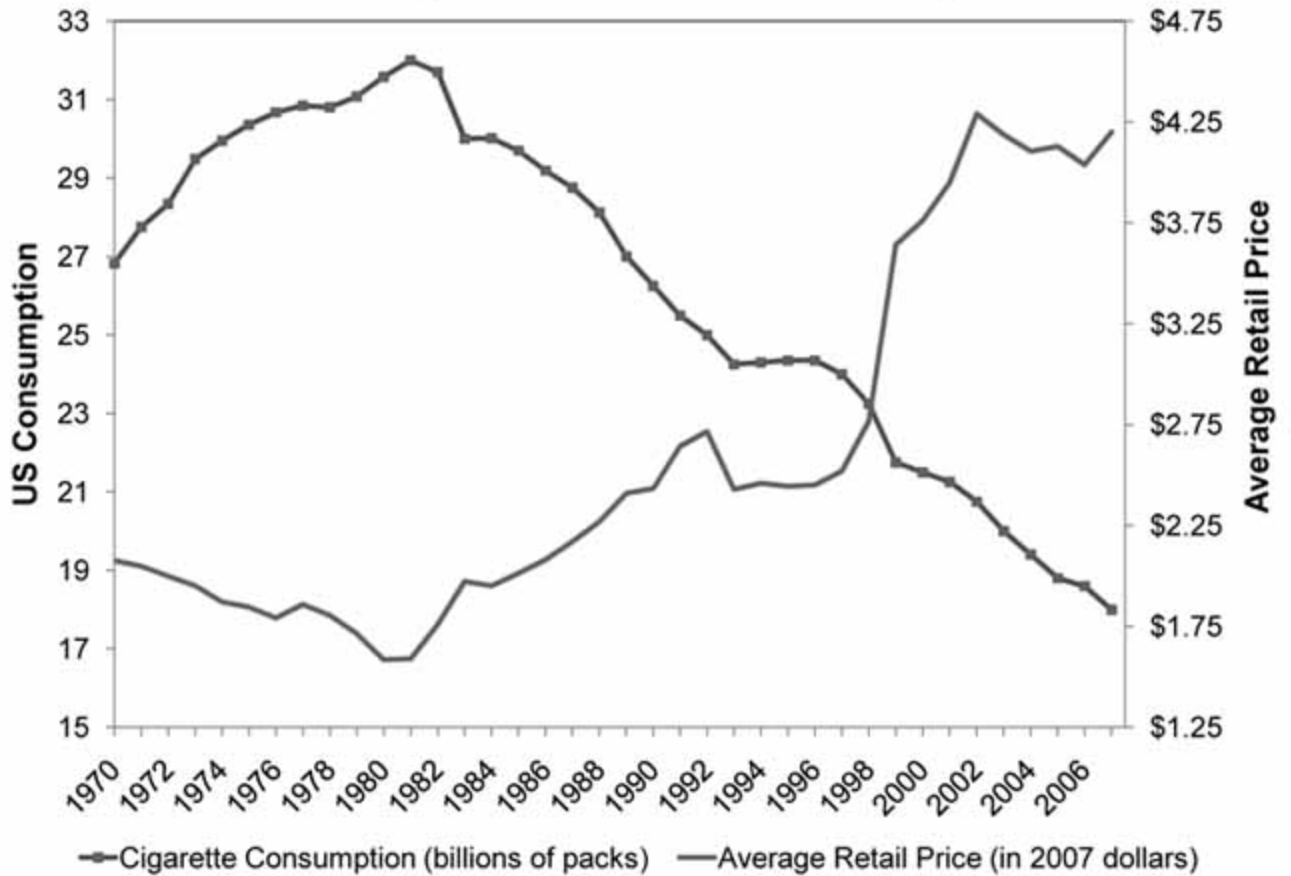
According to the Federal Centers for Disease Control and Prevention (CDC), adverse health effects from cigarette smoking account for more for than 400,000 deaths per year, including the deaths of approximately 25,000 New Yorkers. More deaths are caused each year by tobacco use than by HIV, illegal drug use, alcohol use, motor vehicle injuries, suicides and murders combined. Smoking dramatically increases the risk of:

- Coronary heart disease by 2 to 4 times
- Stroke by 2 to 4 times
- Men developing lung cancer by 23 times
- Women developing lung cancer by 13 times
- Dying from chronic obstructive lung diseases by 12 to 13 times

The proposed cigarette tax increase in Governor Paterson's Executive Budget from \$2.75 to \$3.75 is estimated to decrease cigarette use by a total of 14 percent, helping to prevent instances of these serious health problems. According to estimates by the Campaign for Tobacco-Free Kids, an increase of this magnitude would be expected to prevent more than 100,000 children from becoming smokers and cause more than 50,000 adult smokers to quit.

A clear negative relationship exists between the price of cigarettes and consumption levels. The following graph, replicated from the Campaign for Tobacco-Free Kids, shows national declines in consumption levels as the average price of cigarettes increased.

U.S. Cigarette Price vs. Consumption

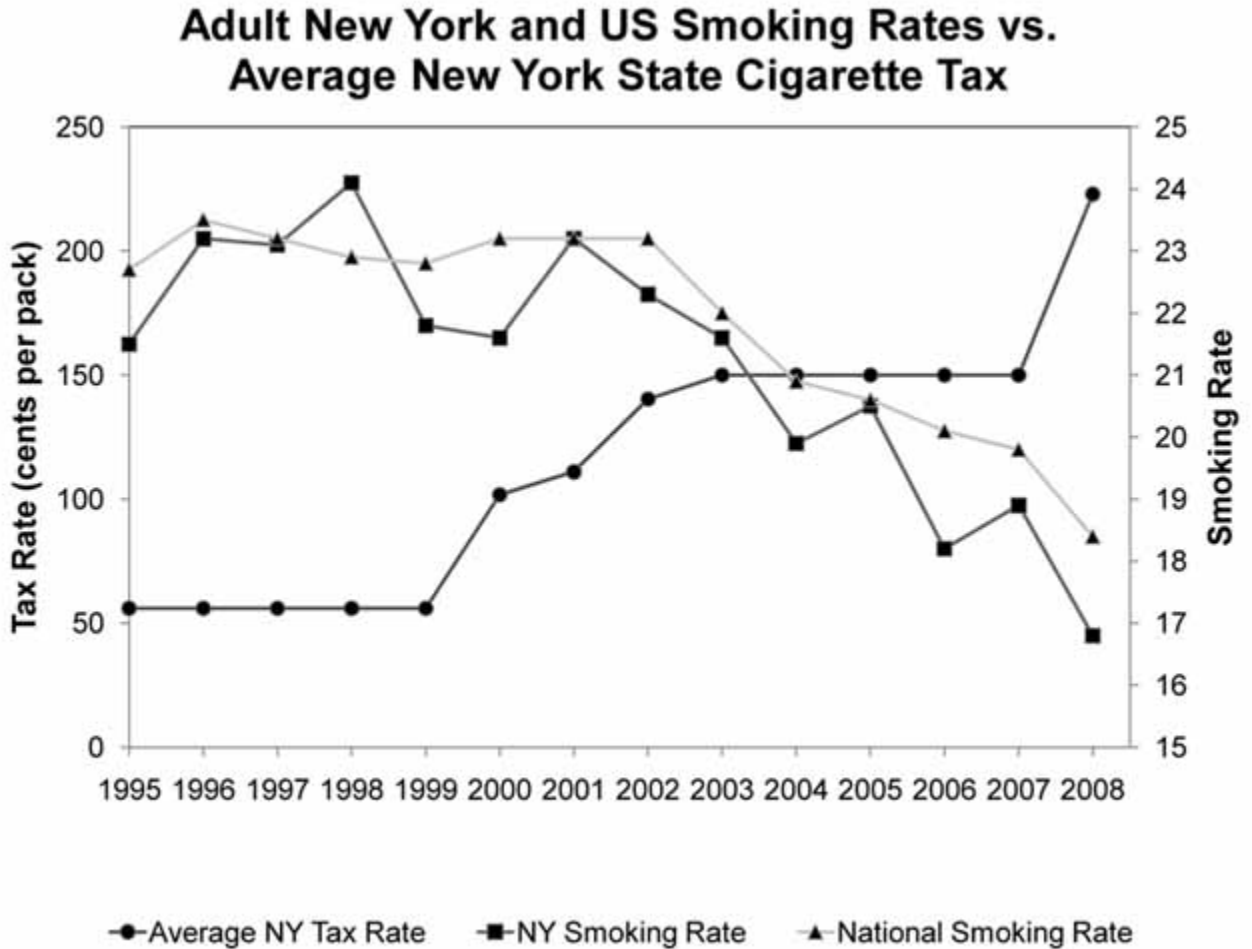


Health experts have long advocated increases in cigarettes taxes as a method for reducing smoking. In 2000, the U.S. Surgeon General stated, “Substantial increases in the excise taxes on cigarettes would have a considerable impact on the prevalence of smoking and, in the long term, reduce the adverse health effects caused by tobacco.”

In its 2006-07 Annual Report, the President’s Cancer Panel stated, “Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco.” The Panel, which is part of the National Institutes of Health, included among its recommendations, “Encourag[ing] state governments to further increase tobacco excise taxes to discourage purchase of cigarettes and other tobacco products.”

New York State has been a national leader in the effort to discourage tobacco use through its cigarette excise tax. In the past ten years, New York has increased the cigarette excise tax three times, from \$0.56 at the beginning of 2000 to the current rate of \$2.75 per pack. In the year following the June 3, 2008 cigarette excise tax increase, the New York State Department of Health Smoker’s Quitline received over 220,000 calls – a record number.

According to survey data from CDC, in the late 1990s, New York’s adult smoking rate closely mirrored the national rate. However, as the State increased cigarette taxes at the beginning of



the decade, the adult smoking rate has fallen well below the national average.

There have been even greater reductions in youth smoking as the price of cigarettes has increased. According to research compiled by the Campaign for Tobacco-Free Kids, “every 10 percent increase in the real price of cigarettes reduces overall cigarette consumption by approximately three to five percent, reduces the number of young-adult smokers by 3.5 percent, and reduces the number of kids who smoke by six or seven percent.”

The 2010-11 Executive Budget proposes to increase the cigarette tax by an additional \$1.00 per pack to further encourage New Yorkers to quit smoking, discourage non-smokers from starting to smoke and to keep New York’s children healthy. Revenues from this dedicated tax increase will be invested, through HCRA, in the State’s numerous health care programs. To address the issue of tax evasion on Indian reservations, the Department of Taxation and Finance (DTF) will withdraw its Advisory Opinion

regarding their policy of forbearance of sales by agents of unstamped product to Indian retailers. The DTF will promulgate rules and regulations to implement the Indian tax exempt coupon system. This action will permit the State to seek the lifting of the injunction preventing the State's statute prohibiting the sales of unstamped cigarettes to Indian retailers from going into effect.

Dedicated Tax on Sugared Beverages

New York is also facing another serious public health crisis — one out of every four New Yorkers is obese. The percentage of adults in New York State who are overweight or obese increased from 42 percent in 1997 to 60 percent in 2008, and obesity among children and adolescents has tripled in the past three decades. Low-income populations, those with low educational attainment and communities of color experience higher rates of obesity. The Surgeon General estimated that obesity is associated with 112,000 deaths each year and poor diet and physical inactivity cause up to 365,000 deaths per year.

Obesity causes serious health problems like Type 2 diabetes, heart disease, high blood pressure, high cholesterol, cancer and osteoarthritis. Obese children are at much greater risk of having a heart attack, having a stroke, getting cancer and losing a limb.

Obesity has serious and substantial public health costs. The New York State Comptroller has reported that New York spends an estimated \$7.6 billion on adult obesity-related health problems, more than almost every other state. Around eighty percent of this cost is paid through publicly-funded health care programs such as Medicare and Medicaid.

A meta-analysis of 88 studies published in the American Journal of Public Health concluded that sugar-sweetened soft drink consumption was associated with increased caloric intake and body weight. Soft drink intake was also associated with lower intakes of milk, calcium and other nutrients. Research has demonstrated that soft-drink consumption is one of the main drivers of childhood obesity. For example, a study by Harvard researchers found that each additional 12-ounce soft drink consumed per day increases the risk of a child becoming obese by 60 percent. For adults, the association is similar. According to the New England Journal of Medicine, Americans consume about 250 to 300 more calories daily today than they did several decades ago, and nearly half this increase is accounted for by consumption of sugared beverages.

New York can make great strides in combating the obesity epidemic by applying lessons learned in our battle against tobacco. To improve the long-term health of New Yorkers while making investments in the State's health programs, the Executive Budget proposes an excise tax of \$7.68 per gallon for beverage syrups or simple syrups, and \$1.28 per gallon for bottled soft drinks, powders or base product, an approximately one cent per ounce increase in the cost of soft drinks. According to the New England Journal of Medicine, a penny-per-ounce excise tax could reduce consumption of sugared beverages by more than 10 percent.

Taxable sugar-sweetened beverages will include those that contain more than ten calories per eight ounces, such as soda, sports drinks, “energy” drinks, colas, fruit or vegetable drinks containing less than 70% natural fruit or vegetable juice, and bottled coffee or tea. Milk, milk products, milk substitutes, dietary aids, and infant formula would be exempt.

Revenue generated from the tax will be dedicated to health care spending through the Health Care Reform Act (HCRA), which finances over \$5 billion in health care costs annually, including a portion of Medicaid costs. HCRA also supports more than 75 different health and insurance programs including Child Health Plus, Family Health Plus, and the Elderly Pharmaceutical Insurance Coverage (EPIC) program.

A tax on sugared beverages is an important tool in fighting obesity. Since taking office in 2008, Governor Paterson has introduced eight programs to fight the prevalence of obesity, including requiring calorie posting in chain restaurants so individuals can make informed choices, banning artificial trans fat in prepared foods, requiring healthier foods in schools, creating the Healthy Food/Healthy Communities program to increase the number of food stores offering healthy foods in underserved communities, promoting the First Lady’s Healthy Steps program to encourage middle school students to incorporate physical activity into their daily routine, increasing access to fresh fruits and vegetables through farmers markets and creating obesity coalitions to encourage healthy lifestyle changes where people live, work, and play.

Q&As

Questions and Answers about Policy

What about lobbying restrictions?

- According to the New York Temporary State Commission on Lobbying Guidelines to the Lobbying Act, lobbying means attempts to influence the passage or defeat of legislation, approval or disapproval of legislation by the governor, adoption or rejection of a rule/regulation having the effect of law, or the outcome of a rate making proceeding by a state agency.

Note: You only need to be concerned about lobbying when state (federal or other restricted) dollars are involved.

Example of lobbying: “Protect workers from secondhand smoke by voting in favor of Intro 256.” State dollars may not be used to convey this type of message.

Lobbying does NOT include: “Preparation or submission of a response to the requesting party of a specific request for information or comments by the legislature, the governor or a state agency.”

Example: If your county legislator asks you to submit testimony about the health risks associated with exposure to secondhand smoke, or poll results on community knowledge/attitudes about the dangers of second-hand smoke, etc., your submission does NOT constitute lobbying.

Lobbying does NOT include: Educating the public and decision makers about public health problems and solutions.

Example of education: “Smoking bans and restrictions protect workers and the public from the health risks associated with exposure to secondhand smoke.” State dollars may (and should) be used to educate the public and decision makers about public health and tobacco control issues.

Note:

- You may lobby on your own behalf as a private citizen (without using state resources to do so).
- Your coalition should include among its member organizations those that employ registered lobbyists who can use their own resources to lobby for tobacco control issues.

If your coalition engages in lobbying, make sure you can demonstrate that state dollars were not involved (including state-supported e-mail, paper, stamps, time, etc.).



RAISING STATE CIGARETTE TAXES ALWAYS INCREASES STATE REVENUES

Every single state that has raised its cigarette tax rate has subsequently received more tax revenue than they would have received without a rate increase, despite the fact that cigarette tax increases reduce state smoking levels and despite any related increases in cigarette smuggling or tax evasion. Put simply, the increased tax per pack brings in more new state revenue than is lost from the related reductions in the number of packs sold and taxed in the state. Moreover, the substantially higher revenue levels enjoyed by those states that significantly increase their cigarette tax rates persist over time (while the cost savings from the related smoking declines grow rapidly).¹

The table below shows all of the state cigarette tax increases in 2007 and two from January 2008, with each state enjoying large revenue increases in the following 12 months (compared to the prior 12 months) despite related consumption and pack-sale declines. Data from earlier state cigarette tax increases show the same kinds of positive results (as documented in previous versions of this factsheet), and subsequent state tax increases will show the same, as well, once the data is available. In sharp contrast, those states that fail to increase their cigarette taxes typically experience gradual cigarette tax revenue declines from year to year caused by ongoing reductions in state smoking levels.

State Revenue Gains from Recent Cigarette Tax Rate Increases

State	Effective Date	Tax Increase Amount (per pack)	New State Tax Rate (per pack)	State Pack Sales Decline	Nationwide Pack Sales Trend	Revenue Increase	New Revenues (millions)
Alaska	7/1/07	20¢	\$2.00	- 3.8%	- 4.7%	+ 7.7%	\$4.5
Connecticut	7/1/07	49¢	\$2.00	- 11.2%	- 4.7%	+ 19.0%	\$50.3
Delaware	7/31/07	60¢	\$1.15	- 35.1%	- 4.9%	+ 35.1%	\$31.8
Hawaii	9/30/07	20¢	\$2.00	+ 0.05%	- 5.5%	+ 11.1%	\$10.1
Indiana	7/1/07	44¢	99.5¢	- 20.2%	- 4.7%	+ 43.0%	\$155.0
Iowa	3/15/07	\$1.00	\$1.36	- 30.6%	- 4.7%	+ 140.2%	\$128.0
Maryland	1/1/08	\$1.00	\$2.00	- 27.1%	- 4.2%	+ 45.8%	\$126.9
New Hampshire	7/1/07	28¢	\$1.08	- 13.7%	- 4.7%	+ 16.4%	\$22.7
South Dakota	1/1/07	\$1.00	\$1.53	- 25.8%	- 5.0%	+ 115.4%	\$31.8
Tennessee	7/1/07	42¢	62¢	- 35.0%	- 4.7%	+ 100.9%	\$133.5
Texas	1/1/07	\$1.00	\$1.41	- 21.0%	- 5.0%	+ 191.7%	\$1,003.7
Wisconsin	1/1/08	\$1.00	\$1.77	- 15.0%	- 4.2%	+ 93.9%	\$283.0

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*. U.S. Alcohol and Tobacco Tax and Trade Bureau. Consumption declines and revenue increases are for the 12 months before and after the tax increase. Nationwide consumption declines are for the 50 states and DC.

False Cigarette Company Claims about Smuggling & Tax Evasion

The cigarette companies and their allies continue to make the clearly false argument that cigarette tax increases will not produce substantial amounts of new state revenue because the increases will prompt enormous new surges in cigarette smuggling and smoker tax evasion. *But every single state that has increased its cigarette taxes has received more revenue than it would*

¹ See, e.g., Campaign for Tobacco-Free Kids (TFK) Factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0303.pdf>.

*have collected absent a rate increase – despite the lost sales from related smoking declines and despite any increases in cigarette smuggling or other tax-evasion.*²

In fact, research shows that smuggling and tax evasion not only fails to eliminate revenue gains from cigarette tax increases but is also a much smaller problem than the cigarette companies and their allies claim (especially when compared to the additional new revenues, public health benefits, and smoking-caused cost reductions from state cigarette tax increases). For example, a 2003 economic research study found that state smuggling and tax evasion revenue losses totaled less than eight percent of total state cigarette tax revenues (with those losses concentrated in the highest-tax states).³ Similarly, a 2005 study found that all smuggling and tax evasion accounted for less than ten percent of all cigarette sales.⁴ In California, a survey found that soon after the state's 50-cent cigarette-tax increase went into effect, less than five percent of all continuing smokers were trying to evade the state's cigarette tax.⁵ It is also clear that states can implement a range of measures to sharply curtail any tobacco tax evasion or cigarette smuggling that may be occurring.⁶

After a cigarette tax increase, many smokers who initially try to avoid the higher rate soon use up their stockpile of cigarettes purchased right before the increase or tire of driving across state border or going to the Internet to buy cheaper cigarettes, and return to the convenience of normal full-tax purchases in their own state. Indeed, the vast majority of smokers prefer to buy cigarettes by the pack, but cross-border and Internet purchases involve multiple cartons.⁷ For example, New York state's taxable pack sales decreased sharply in the year after the state's 55-cent tax increase in March 2000, beyond what consumption declines might explain, but then increased in the following year – most likely because of smokers' depleted pre-increase stockpiles of cigarettes, smoker tax-evasion fatigue, and the strong appeal of convenient single-pack purchases from nearby sales outlets.

It is also worth noting that any real or imagined problems with smuggling and tax evasion after New York state's cigarette tax increase in 2000 were not significant enough to stop the state from increasing its cigarette tax to \$1.50 per pack in 2002, and, more recently, to \$2.75 per pack. Nor did it stop the state from permitting New York City to increase its supplementary local cigarette tax from 8 cents to \$1.50 per pack in 2002. The levels of cigarette smuggling and tax evasion in New York City are supposedly among the highest in the country; but in the first year after its 2002

² In rare cases, a small state cigarette tax increase might not bring in enough new revenue to make up for significant ongoing state pack sales declines from other factors and related reduced revenue. But that has happened only once: after NJ increased its \$2.40 per pack tax by another 17.5¢, its total cigarette tax revenues still declined somewhat over the following year. But without the rate increase the state's cigarette tax revenues would have dropped much more sharply. Every single one of the more than 100 other state cigarette tax rate increases has produced a significant net increase to annual state tax revenues despite any ongoing smoking or pack sales declines.

³ Farrelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf. See also, Yurekli, A & Zhang, P, "The Impact of Clean Indoor-Air Laws and Cigarette Smuggling on Demand for Cigarettes: An Empirical Model," *Health Economics* 9:159-170, 2000.

⁴ Stehr, M, "Cigarette Tax Avoidance and Evasion," *Journal of Health Economics*, 24(2):277-297, March 2005.

⁵ Emery, S, et al., "Was There Significant Tax Evasion After the 1999 50 Cent Per Pack Cigarette Tax Increase in California?" *Tobacco Control* 11:130-34, June 2002, <http://tc.bmjournals.com/cgi/reprint/11/2/130.pdf>.

⁶ See, e.g., TFK Factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and Block Other Illegal Efforts to Evade State Tobacco Taxes*, <http://tobaccofreekids.org/research/factsheets/pdf/0274.pdf>.

⁷ Quinn, C, "Tobacco Ad Fight Headed to Court: 3 Companies Want to Keep Philip Morris From Grabbing Retail-Counter Display Space," *Winston-Salem Journal*, June 7, 1999 [65% of cigarette sales are individual packs].

rate increase revenues increased nine-fold, to \$250 million, significantly more than the city had expected.⁸

When their false argument that states will not get additional revenues from raising cigarette tax rates is rejected, cigarette companies and their allies often fall back to arguing that states have not received as much new revenue “as expected” from their cigarette tax increases. But such “less than expected” results are just a matter of some states making overly optimistic revenue projections that fail to account for ongoing smoking declines and all the smoking reductions and other pack sales declines prompted by cigarette tax increases.⁹

Campaign for Tobacco-Free Kids, July 15, 2009 / Eric Lindblom & Ann Boonn

More information on the benefits from state tobacco tax increases are available at
<http://tobaccofreekids.org/reports/prices> &
<http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>

⁸ New York City Department of Finance.

⁹ For more on this additional false argument against state cigarette tax increases, see the TFK Factsheet, *Responses to Misleading and Inaccurate Cigarette Company Arguments Against State Tobacco Tax Increases*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0227.pdf> [at point II].



VOTERS IN ALL STATES SUPPORT SIGNIFICANT INCREASES IN STATE CIGARETTE TAXES

The results of numerous ballot initiatives, as well as polls conducted in states throughout the country, have consistently shown broad public and voter support for cigarette-tax increases. In dozens of different states, recent polls show strong majority support for an increase in the state's cigarette tax, with results ranging from 71 percent of voters supporting a 75-cent-per-pack increase in a tobacco-growing state (South Carolina) to 79 percent supporting an increase in Florida. In most states, voters favor the proposed cigarette tax increase by a two-to-one margin.¹⁰

As shown in more detail below, these polls have found that Democrats, Republicans, independents and voters from a broad range of demographic groups all strongly support tobacco tax increases – as do significant numbers of smokers. In addition, voters also express a strong preference for political candidates who favor and vote for significant tobacco tax increases. To balance state budgets, voters prefer cigarette-tax increases to other tax increases or to budget cuts; but voters also strongly believe that at least some tobacco-tax revenues should be used for programs to prevent and reduce smoking, especially among kids.

Support for cigarette-tax increases is bipartisan. In the 61 state polls that provide the data, majorities of Democrats, Republicans and independents all support increasing the state tobacco tax. In Georgia, for example, 79 percent of Democrats and 73 percent of Republicans support a \$1 increase in the cigarette tax. Before Texas increased the state tobacco tax by \$1, a survey of Republican primary voters in Texas found that 73 percent would support a \$1 increase (to \$1.41 per pack).

Supporting tobacco tax increases wins votes for candidates of both parties from voters from both parties. In each of the 39 state polls where the question was asked, voters prefer candidates for state offices who support increases to cigarette taxes over candidates who oppose them – *regardless of the candidates' party affiliations*. Even more remarkably, in virtually all of the states at least 30 percent of voters from each of the major parties said they would cross party lines to vote for a candidate of the opposite party who supports the cigarette tax if the candidate from their own party did not. For example:

- In Tennessee, 38 percent of Republicans would support a Democrat who supports the tobacco-tax increase over a member of their own party who opposes it. Likewise, 36 percent of Democrats prefer a Republican who supports the tax to a Democrat who opposes it.

The amount of the tax increase makes little difference to voters. Voter support for a tobacco tax increase does not diminish even with a higher amount. For example, 70 percent of Pennsylvania voters would support both a 70-cent increase and a \$1 increase in the tobacco tax. In West Virginia, a near identical majorities support a 75-cent increase (68 percent) and a \$1 increase (66 percent). Even in South Carolina, a tobacco-growing state, the percentage of voters supporting a 93-cent increase (71 percent) and a 53-cent increase (71 percent) is identical, and intensity of support is even higher for the larger amount.

¹⁰ This factsheet is based on all the state polls on state tobacco-tax increases conducted in recent years for which the Campaign for Tobacco-Free Kids was able to obtain comprehensive information regarding the questions asked and the answers received. Numerous other state polls have also been done that, according to press reports and available summaries, show equally strong voter support for tobacco tax increases (see list at end of document).

To balance state budgets, voters strongly prefer increasing state tobacco taxes over either other tax increases or cuts to vital state programs. Thirty-two (32) out of 39 state polls that asked these questions confirmed this finding,¹¹ including the following examples:

- Seven out of ten South Carolina voters (71 percent) want the state to increase the cigarette tax to help balance the state budget. No other potential revenue source received support from even half of South Carolina voters (including increasing the state sales tax and reducing funding for health care and education).
- In Iowa, 69 percent of voters favor increasing the cigarette tax to help balance the state budget. Other potential revenue sources receive far less support, such as increasing the sales tax (37 percent), reducing funding for roads (30 percent), and increasing the gasoline tax (24 percent). Hardly any voters favor cuts to education programs or health care programs to balance the budget.

Voters clearly want some of the revenue from tobacco-tax increases to be used to fund tobacco prevention efforts – and most support using tobacco-tax revenues for tobacco prevention more than for any other purpose. In every state in which the question was asked, voters expressed strong support for cigarette tax increases that directed some of the new revenue to support programs to reduce tobacco use among kids. For example:

- Eighty-two percent of Indiana voters feel it is important to dedicate a portion of new cigarette tax revenue to tobacco prevention.
- Two-thirds of California voters (67 percent) support increasing the state tobacco tax and earmarking some portion to tobacco prevention programs. In addition, a solid majority of voters (56 percent) oppose raising the tobacco tax *without dedicating any of the revenue to tobacco prevention.*
- A majority of New Jersey voters (57 percent) prefer a 50-cent tobacco tax increase that addresses the budget deficit *and* funds a tobacco prevention program over a 40-cent increase used only for the budget deficit (29 percent support). Ten percent said that they prefer neither tax increase.
- A 62 percent majority of Nebraska voters would favor adding six cents to any tobacco tax increase in order to fund the state's tobacco prevention program (just 34 percent would oppose the additional tax for tobacco prevention).

There is strong support for increasing tobacco taxes, even in states that have recently implemented an increase in the tobacco tax.

- A May 2003 poll found that Oregon voters support increasing the tobacco tax by 75 cents if the revenue goes to tobacco prevention and health care, even when they are reminded that Oregon just increased the tobacco tax by 60 cents per pack.
- A poll taken after New York state raised its cigarette tax to \$1.50 per pack found that 68 percent of New York City voters supported an additional \$1.42 per-pack increase within the city – a measure proposed and signed into law by Mayor Michael Bloomberg (R). A subsequent poll conducted for the Coalition for a Smoke-Free city found that 73 percent of New York City voters favored the tobacco tax increase (Global Strategy Group, Inc., March 2002). Among all New York State voters, support for applying the new \$1.42 increase statewide was 59 to 38 percent. (Quinnipiac University survey, February 2002).

Minority support for tobacco-tax increases is strong. In Florida, 89 percent of African American voters, 89 percent of Hispanic voters and 76 percent of white voters support a \$1 increase (to \$1.34 per pack). In Georgia, 77 percent of African Americans and 75 percent of white voters support a \$1 increase.

¹¹ In the seven states where increasing the tobacco tax was not the most favored way to address the budget deficit, it ranked just 1 to 5 percentage points behind the most popular choice.

Significant numbers of smokers support tobacco-tax increases. In Massachusetts, 50 percent of current tobacco users support a \$1 increase in the cigarette tax, 45 percent support a \$1 increase in Mississippi and 48 percent of current smokers support an 85-cent tax increase in Wisconsin (to \$1.62 per pack). In the 53 polls with this data, an average of 38 percent of current tobacco users support increasing the state cigarette tax.

Large majorities of low-income persons strongly support tobacco tax increases. In South Carolina, 67 percent of voters with family incomes less than \$20,000 per year support a 93-cent increase (to \$1 per pack). In Massachusetts, 72 percent of voters with family incomes less than \$30,000 per year support a 70-cent increase. In all the other states with this data, at least 53 percent of voters in families with low incomes support substantial cigarette tax increases.

Voters have a history of approving tobacco tax increases. Despite expensive, aggressive campaigns by cigarette companies to defeat ballot initiatives to increase cigarette tax rates, voters have consistently expressed strong support for tobacco-tax increases. In recent elections, voters in five states voted to increase the tobacco tax.

- Arizona: Proposition 203, approved 53 to 47 percent, increases Arizona's cigarette tax by 80 cents per pack (and also increase the tax on other tobacco products) and utilizes the revenue to fund early childhood development programs. (November 2006)
- Colorado: By 61 to 39 percent, voters increased the state cigarette tax by 64 cents to 84 cents per pack and dedicated some of the new revenue to fund tobacco prevention programs, with the rest earmarked for other health-related programs. (November 2004)
- Montana: By 63 to 37 percent, voters increased the state cigarette tax by \$1 to \$1.70 per pack and dedicated some of the revenue to health care programs. The measure also increased the tax on other tobacco products. (November 2004)
- Oklahoma: By 53 to 47 percent, voters increased the state cigarette tax by 80 cents to \$1.03 per pack, as well as taxes on other tobacco products. The revenue will fund various health-related programs. The Oklahoma victory came despite the fact that proponents of the initiative were outspent by opponents, funded largely by Philip Morris and R.J. Reynolds, who spent almost \$2 million in an attempt to defeat the initiative. (November 2004)
- South Dakota: By 61 to 39 percent, voters increased South Dakota's cigarette tax by \$1 per pack and the tax on other tobacco products from 10 to 35 percent of the wholesale price. This new revenue will fund tobacco prevention and cessation programs, property tax relief, education enhancement and health care. (November 2006)

In November 2002, by a margin of two to one (67 percent to 33 percent), Arizona voters increased the state cigarette tax by 60 cents and dedicated some of the revenue to restore funding for the state's highly successful tobacco prevention program. In September 2002, 64 percent of Oregon voters approved a 60-cent per pack cigarette tax increase, with some of the funds dedicated to tobacco prevention. In November 2001, 66 percent of Washington state voters approved a measure to raise the state cigarette tax by 60-cents per pack, dedicating the funds to tobacco prevention and health care. Ballot initiatives have also raised state cigarette tax rates in California (11/98 & 11/88), Oregon (11/96), Arizona (11/94), and Massachusetts (11/92), despite the fact that spending by the major cigarette companies to defeat the proposed tobacco-tax increases far exceeded the expenditures in favor of the increases.

Campaign for Tobacco-Free Kids, July 2008

For more information on state tobacco-tax increases, see the Campaign's website at

- <http://tobaccofreekids.org/reports/prices/>
- <http://www.tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>

Additional Polling Data On Public Support for Tobacco Tax Increases

- A Washington Post poll of Maryland residents found strong support for increasing the cigarette tax by \$1 per pack. Almost seven in 10 Maryland residents support increasing taxes on cigarettes, including eight in 10 nonsmokers and nearly four in 10 smokers. (*Washington Post*, October 24, 2007, survey of 1,103 MD adults conducted October 18-22, 2007).
- A March 2007 poll found that 59% of Oregon voters supported a cigarette tax increase of 84.5 cents per pack (Riley Research poll of 478 registered voters by Mar. 5 - Mar. 15, 2007, published in *The Oregonian*, March 14, 2007).
- In Pennsylvania, seven out of ten voters (71%) support higher cigarette taxes to help pay for health insurance for Pennsylvania residents (Quinnipiac University survey of 1,014 Pennsylvania voters, released February 7, 2007).
- A *Des Moines Register* poll found 67% of Iowa adults favor raising the cigarette tax by \$1 per pack (*Des Moines Register*, January 30, 2007, survey of 800 Iowans conducted Jan. 21 - Jan. 24, 2007).
- In New Hampshire, nearly four out of five voters (78%) approve of increasing the state cigarette tax, making it the most preferred way to balance the state budget. (Becker Institute survey of 401 New Hampshire voters, published in the *New Hampshire Union Leader* May 25, 2005).
- A March 2005 survey of Massachusetts residents found 70 percent favored increasing the state's \$1.51 cigarette tax by 50-cents to help fund increased access to health insurance (State House News Service, April 20, 2005).
- A poll conducted by Elon University found that 59% of North Carolinians approve of a proposal to raise cigarette taxes from 5 cents per pack to 40 cents in 2005 and 50 cents a pack in 2006. Tim Vercellotti, the assistant professor of political science at Elon University and the director of the poll, said that support for the cigarette tax was consistent with an earlier survey which found 63% support for a tobacco tax increase. "That's real – it's not just a hypothetical any more. I guess they should take some comfort in that," Vercellotti told the *Winston Salem Journal*. "I think that speaks to the changing role of tobacco in the economy." (*Winston Salem Journal*, March 12, 2005)
- In Washington state, 82% of voters favor a 50-cent increase in the cigarette tax (Widmeyer Research and Polling survey published in *The Olympian*, February 9, 2005).

State Polls Summarized In This Factsheet

Alaska – QEV Analytics (2/04); Market Strategies (4/03)

California – Fairbank, Maslin, Maullin & Associates (3/03)

Connecticut – Mellman Group (2/02); Market Strategies/Mellman Group (5/01)

Florida – Public Opinion Strategies (3/08), Vantage Point Strategies (1/06)

Georgia – Public Opinion Strategies (1/08), Mellman Group (4/02)

Illinois – Market Strategies/Mellman Group (1/02)

Indiana – Public Opinion Strategies/Mellman Group (1/07), Massie, Inc. (4/01 and 12/01)

Iowa – QEV Analytics (1/05); Market Strategies (3/02)

Kansas – Market Strategies (12/01)

Kentucky – Opinion Research Associates (8/07), Mellman Group (1/04 and 12/02)

Maine – Critical Insights (4/07), Market Strategies/Mellman Group (5/01)

Maryland – Opinion Works (8/07 and 4/06); Mellman Group (2/02)

Massachusetts – Kiley & Company (1/08), Mellman Group (3/02); Market Strategies/Mellman Group (5/01)

Michigan – Mitchell Research (3/04)

Minnesota – Market Strategies/Mellman Group (1/02)

Mississippi – Public Opinion Strategies (6/08), Mellman Group (2/06)

Nebraska – Public Opinion Strategies (2/07), Market Strategies (2/03 and 1/02)

Nevada – Greenberg, Quinlan, Rosner Research (6/02)

New Hampshire – Market Strategies/Mellman Group (5/01)

New Jersey – Validata Research. (4/03 and 2/02)

New Mexico – Research & Polling (7/02)

New York – Global Strategy Group (2/08)

North Carolina – Global Strategy Group (6/02)

Ohio – Midwest Communications (4/08 and 7/04)

Oklahoma – QEV Analytics/Mellman Group (1/04)

Oregon – Grove Insight (3/07), Davis & Hibbits (5/03)

Pennsylvania – Susquehanna Polling & Research (3/03 and 4/02)

Rhode Island – Market Strategies/Mellman Group (5/01)

South Carolina – Public Opinion Strategies (1/06)

South Dakota – Market Strategies (1/03)

Tennessee – Mellman Group (3/06)

Texas – Market Strategies (5/02)

Utah – Dan Jones & Associates (11/07)

Vermont – Mellman Group (1/06); Market Strategies/Mellman Group (3/02 and 5/01)

Virginia – Mason Dixon Research (1/04 and 8/02)

West Virginia – Mellman Group (9/02)

Wisconsin – Public Opinion Strategies/Mellman Group (2/07), Public Opinion Strategies (4/03); Market Strategies/Mellman Group (1/02)

Wyoming – Harstad Strategic Research (11/05); Market Strategies (10/02)



RAISING CIGARETTE TAXES REDUCES SMOKING, ESPECIALLY AMONG KIDS (AND THE CIGARETTE COMPANIES KNOW IT)

The cigarette companies have opposed tobacco tax increases by arguing that raising cigarette prices would not reduce adult or youth smoking. But the companies' internal documents, disclosed in the tobacco lawsuits, show that they know very well that raising cigarette prices is one of the most effective ways to prevent and reduce smoking, especially among kids.

- Philip Morris: *Of all the concerns, there is one - taxation - that alarms us the most. While marketing restrictions and public and passive smoking [restrictions] do depress volume, in our experience taxation depresses it much more severely. Our concern for taxation is, therefore, central to our thinking . . .*¹²
- Philip Morris: *When the tax goes up, industry loses volume and profits as many smokers cut back.*¹³
- RJ Reynolds: *If prices were 10% higher, 12-17 incidence [youth smoking] would be 11.9% lower.*¹⁴
- Philip Morris: *It is clear that price has a pronounced effect on the smoking prevalence of teenagers, and that the goals of reducing teenage smoking and balancing the budget would both be served by increasing the Federal excise tax on cigarettes.*¹⁵
- Philip Morris: *Jeffrey Harris of MIT calculated...that the 1982-83 round of price increases caused two million adults to quit smoking and prevented 600,000 teenagers from starting to smoke... We don't need to have that happen again.*¹⁶
- Philip Morris: *A high cigarette price, more than any other cigarette attribute, has the most dramatic impact on the share of the quitting population...price, not tar level, is the main driving force for quitting.*¹⁷

[For more on cigarette company documents and price/tax increases see the 2002 study in the *Tobacco Control* journal, "Tax, Price and Cigarette Smoking: Evidence from the Tobacco Documents."¹⁸]

The cigarette companies have even publicly admitted the effectiveness of tax increases to deter smoking in their required filings with the U.S. Securities and Exchange Commission.

- Philip Morris: *Tax increases are expected to continue to have an adverse impact on sales of tobacco products by our tobacco subsidiaries, due to lower consumption levels... [10-Q Report, November 3, 2008]*
- Lorillard Tobacco: *We believe that increases in excise and similar taxes have had an adverse impact on sales of cigarettes. In addition, we believe that future increases, the extent of which*

¹² Philip Morris document, "General Comments on Smoking and Health," Appendix I in *The Perspective of PM International on Smoking and Health Initiatives*, March 29, 1985, Bates No. 2023268329-8348.

¹³ Ellen Merlo, Senior Vice President of Corporate Affairs, Philip Morris, 1994 draft speech to the Philip Morris USA Trade Council, <http://legacy.library.ucsf.edu/tid/oyf35e00>.

¹⁴ R.J. Reynolds Executive D. S. Burrows, "Estimated Change In Industry Trend Following Federal Excise Tax Increase," RJR Document No. 501988846 -8849, September 20, 1982.

¹⁵ Philip Morris Research Executive Myron Johnston, "Teenage Smoking and the Federal Excise Tax on Cigarettes," PM Document No. 2001255224, September 17, 1981.

¹⁶ Philip Morris Executive Jon Zoler, "Handling An Excise Tax Increase," PM Document No. 2022216179, September 3, 1987.

¹⁷ Philip Morris Executive Claude Schwab, "Cigarette Attributes and Quitting," PM Doc. 2045447810, March 4, 1993.

¹⁸ Chaloupka, F, et al., "Tax, Price and Cigarette Smoking: Evidence from the Tobacco Documents and implications for tobacco company marketing strategies," *Tobacco Control* 11: 62-72, March 2002.

cannot be predicted, could result in further volume declines for the cigarette industry, including Lorillard Tobacco... [10-Q Report, November 4, 2008]

- R.J. Reynolds: *Together with manufacturers' price increases in recent years and substantial increases in state and federal taxes on tobacco products, these developments have had and will likely continue to have an adverse effect on the sale of tobacco products.* [10-Q Report, October 24, 2008]

Or, as the Convenience Store News put it: *"It's not a hard concept to grasp -- as taxes on cigarettes goes up, sales of cigarettes go down."*¹⁹

Economic Research Confirms That Cigarette Tax Increases Reduce Smoking. Numerous economic studies in peer-reviewed journals have documented that cigarette tax or price increases reduce both adult and underage smoking. The general consensus is that every 10 percent increase in the real price of cigarettes reduces overall cigarette consumption by approximately three to five percent, reduces the number of young-adult smokers by 3.5 percent, and reduces the number of kids who smoke by six or seven percent.²⁰ Research studies have also found that:

- Cigarette price and tax increases work even more effectively to reduce smoking among males, Blacks, Hispanics, and lower-income smokers.²¹
- A cigarette tax increase that raises prices by ten percent will reduce smoking among pregnant women by seven percent, preventing thousands of spontaneous abortions and still-born births, and saving tens of thousands of newborns from suffering from smoking-affected births and related health consequences.²²
- Higher taxes on smokeless tobacco reduce its use, particularly among young males; and increasing cigar prices through tax increases reduce adult and youth cigar smoking.²³
- Cigarette price increases not only reduce youth smoking but also reduce both the number of kids who smoke marijuana and the amount of marijuana consumed by continuing users.²⁴
- By reducing smoking levels, cigarette tax increases reduce secondhand smoke exposure among nonsmokers, especially children and pregnant women.

¹⁹ "Cigarette Sales Down after Tax Increases," *Convenience Store News*, June 5, 2009.

²⁰ See, e.g., Chaloupka, F, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research*, 1999; other studies at <http://tigger.uic.edu/~fjc/>; Tauras, J, "Public Policy and Smoking Cessation Among Young adults in the United States," *Health Policy* 6*:321-32, 2004; Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001, and others at <http://www.impactteen.org/researchproducts.htm>. Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998, <http://tigger.uic.edu/~fjc/>; Emery, S, et al., "Does Cigarette Price Influence Adolescent Experimentation?," *Journal of Health Economics* 20:261-270, 2001; Evans, W & Huang, L, *Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections*, working paper, April 15, 1998, www.bsos.umd.edu/econ/evans/wrkpap.htm; Harris, J & Chan, S, "The Continuum-of-Addiction: Cigarette Smoking in Relation to Price Among Americans Aged 15-29," *Health Economics Letters* 2(2):3-12, February 1998, www.mit.edu/people/jeffrey.

²¹ See, e.g., U.S. Centers for Disease Control and Prevention (CDC), "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," *Morbidity and Mortality Weekly Report* 47(29):605-609, July 31, 1998, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm>; Chaloupka, F & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998.

²² Ringel, J & Evans, W, "Cigarette Taxes and Smoking During Pregnancy," *American Journal of Public Health*, 2001 See also, TFK Factsheet, *Harm Caused by Pregnant Women Smoking or Being Exposed to Secondhand Smoke*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0007.pdf>.

²³ Chaloupka, F, Tauras, J & Grossman, M, "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2):503-16, October 1997. Ringel, JS, Wasserman, J, & Andreyeva, T, "Effects of Public Policy on Adolescents' Cigar Use: Evidence From the National Youth Tobacco Survey," *American Journal of Public Health* 95:995-998, 2005.

²⁴ Chaloupka, F, et al., *Do Higher Cigarette Prices Encourage Youth to Use Marijuana?*, National Bureau of Economic Research, Working Paper No. 6939, February 1999.

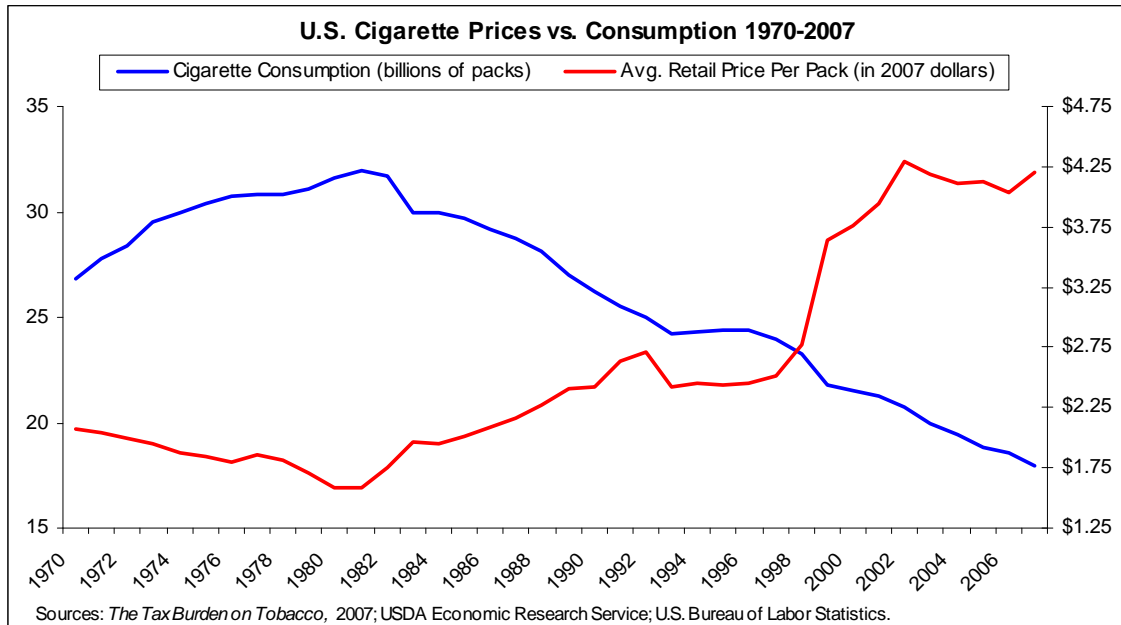
Recent State Experiences

In every single state that has significantly raised its cigarette tax rate, pack sales have gone down sharply.²⁵ While some of the decline in pack sales comes from interstate smuggling and from smokers going to other lower-tax states to buy their cigarette, reduced consumption from smokers quitting and cutting back plays a more powerful role. As shown in more detail, below, nationwide data – which counts both legal in-state purchases and the vast majority of packs purchased through cross-border, Internet, or smuggled sales – shows that overall packs sales go down as state cigarette tax increases push up the average national price.

In-state evidence shows that state cigarette tax increases are prompting many smokers to quit or cutback. For example, the Wisconsin Quit Line received a record-breaking 20,000 calls in the first two months after its \$1.00 per cigarette pack increase (it typically receives 9,000 calls per year). Likewise, in Texas and Iowa, which each increased their cigarette taxes by \$1.00 in 2007, the number of calls to the state quitlines have been much higher compared to the year before.²⁶ It is also clear that these efforts to quit by smokers after tax increases translate directly into lower future smoking rates. In Washington State, for example, adult smoking from the year before its 60-cent cigarette tax increase in 2002 to the year afterwards declined from 22.6 to 19.7 percent, reducing the number of adult smokers in the state by more than 100,000, despite overall population increases.²⁷

Increasing U.S. Cigarette Prices and Declining Consumption

Although there are many other factors involved, comparing the trends in cigarette prices and overall U.S. cigarette consumption from 1970 to 2007 shows that there is a strong correlation between increasing prices and decreasing consumption.



While U.S. cigarette prices are largely controlled by the cigarette companies' price-setting decisions, from 1970 to 2006, the federal tax on cigarettes also increased from eight cents

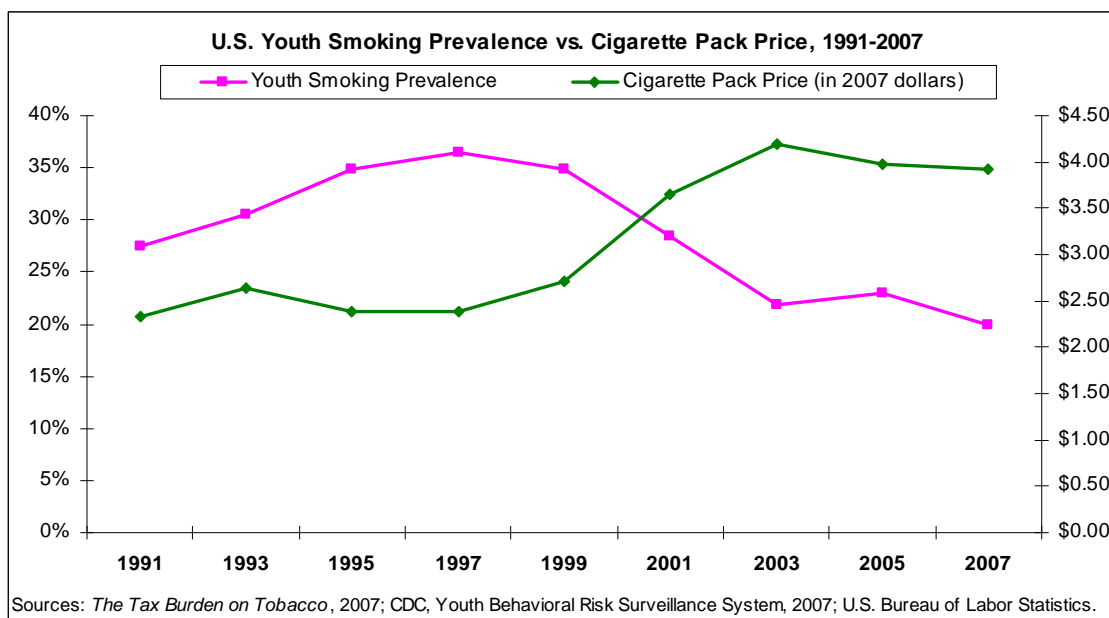
²⁵ TFK Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (and Always Reduces Smoking)*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.

²⁶ "Calls to Wisconsin Tobacco Quit Line breaks all records," *The Dunn County News*, March 12, 2008. Souza, M, "Thank you for Smoking," *Longview-News Journal*, April 22, 2007; "Calls to Quitline Iowa double after cigarette tax raised," *AP*, March 22, 2007. See also, TFK Factsheet, *Quitlines Provide Essential and Effective Treatment Services*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0326.pdf>.

²⁷ CDC, Current Adult Smokers, Behavioral Risk Factor Surveillance System (BRFSS).

to 39 cents per pack and the average state cigarette tax increased from 10 cents to \$1.07 per pack during that time period. Without these federal and state tax increases, U.S. cigarette prices would be much lower and U.S. smoking levels would be much higher.

Prices and Youth Smoking Rates. The chart below shows how closely youth smoking prevalence is to cigarette pack prices. As prices climbed in the late 1990s and early 2000s, youth smoking rates declined, but as the price decreased between 2003 and 2005 (along with funding for tobacco prevention programs in many states), youth rates increased. Even the slight increase in price between 2005 and 2007 corresponds with a decline in youth smoking rates.



Expert Conclusions on Cigarette Prices and Smoking Levels

- In its 2007 report, *Ending the Tobacco Problem: A Blueprint for the Nation*, the National Academy of Sciences' Institute of Medicine recommends raising cigarette taxes in states with low rates and indexing them to inflation, to reduce cigarette consumption and to provide money for tobacco control. The report states, "Tobacco excise tax revenues pose a potential funding stream for state tobacco control programs. Setting aside about one-third of the per-capita proceeds from tobacco excise taxes would help states fund programs at the level suggested by CDC."²⁸
- The President's Cancer Panel's 2007 report, *Promoting Healthy Lifestyles*, advised increasing state tobacco taxes, stating, "Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco. These revenues also provide crucial dollars needed to fund anti-tobacco efforts."²⁹
- The 2000 U.S. Surgeon General's Report, *Reducing Tobacco Use*, found that raising tobacco-product prices decreases the prevalence of tobacco use, particularly among kids and young adults, and that tobacco tax increases produce "substantial long-term improvements in health."

²⁸ Institute of Medicine (IOM), *Ending the tobacco problem: A blueprint for the nation*, Washington, DC: The National Academies Press, 2007, <http://www.iom.edu/CMS/3793/20076/43179.aspx>.

²⁹ President's Cancer Panel, *Promoting Healthy Lifestyles*, 2006-2007 Annual Report, August 2007, <http://deainfo.nci.nih.gov/advisory/pcp/pcp07rpt/pcp07rpt.pdf>.

From its review of existing research, the report concluded that raising tobacco taxes is one of the most effective tobacco prevention and control strategies.³⁰

- Wall Street tobacco industry analysts have long recognized the powerful role increased cigarette taxes and rising cigarette prices play in reducing U.S. smoking levels. For example, a December 1998 “Sensitivity Analysis on Cigarette Price Elasticity” by Credit Suisse First Boston Corporation settled on a “conservative” estimate that cigarette consumption will decline by four percent for every 10 percent increase in price.
- In its 1998 report, *Taking Action to Reduce Tobacco Use*, the National Academy of Sciences’ Institute of Medicine concluded that “the single most direct and reliable method for reducing consumption is to increase the price of tobacco products, thus encouraging the cessation and reducing the level of initiation of tobacco use.”³¹

Campaign for Tobacco-Free Kids, January 9, 2009 / Eric Lindblom & Ann Boonn

For more information, please see <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18> and <http://tobaccofreekids.org/reports/prices>.

³⁰ U.S. Department of Health and Human Services (HHS), *Reducing Tobacco Use: A Report of the Surgeon General*, Atlanta, Georgia: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2000, http://www.cdc.gov/tobacco/data_statistics/sgr/sgr_2000/index.htm.

³¹ IOM, *Taking Action to Reduce Tobacco Use*, Washington, DC: National Academy Press, 1998, http://www.nap.edu/catalog.php?record_id=6060.

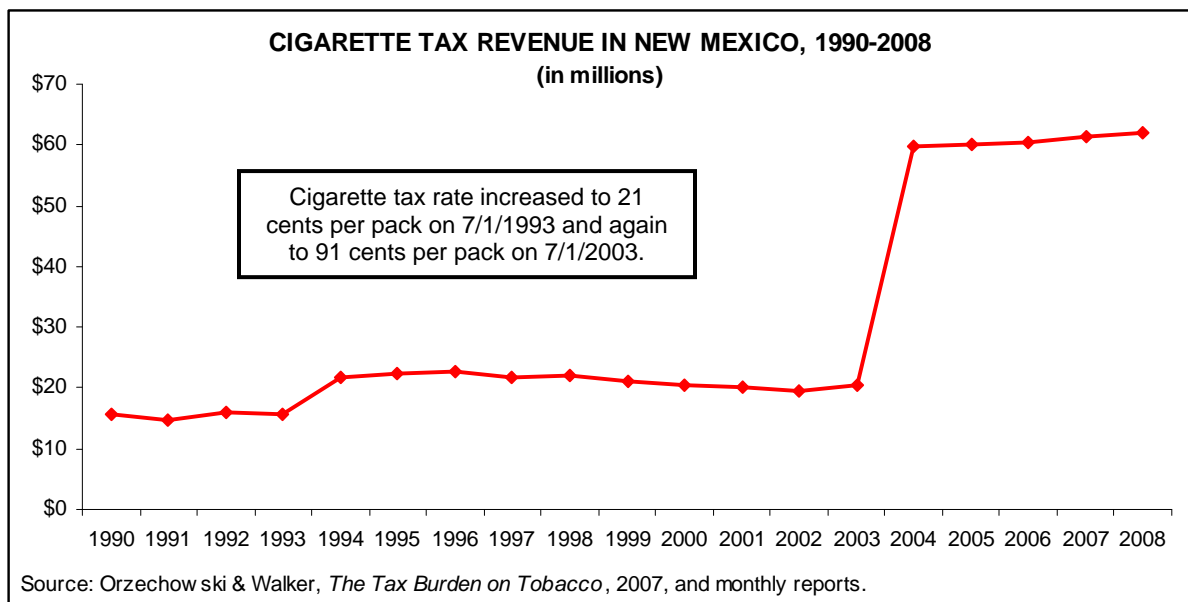


TOBACCO TAX INCREASES ARE A RELIABLE SOURCE OF SUBSTANTIAL NEW STATE REVENUE

Opponents of state tobacco tax increases often claim, incorrectly, that tobacco taxes are unreliable sources of state revenue. In fact, state tobacco taxes are one of the most predictable sources of revenue that states receive. Any significant reductions to state tobacco tax revenues from ongoing smoking declines are dwarfed by the much larger reductions in government and private sector smoking-caused costs those smoking declines produce.

The success of effective tobacco control policies means that cigarette consumption will drop more rapidly than in the past – a trend that benefits public health, increases worker productivity, and lowers state health care costs. In fact, industry analysts now predict that national pack sales will decline by about four to five percent per year, on average, because of smokers quitting, cutting back, or switching to other tobacco products.ⁱ States with aggressive ongoing tobacco prevention efforts will likely see additional declines, but they would be offset by even larger reductions in smoking-caused costs. In addition, states can take a variety of actions to protect and maintain, or even increase, their tobacco tax revenues over time.

Significant tobacco tax increases always produce substantial net new revenues. In every single instance where a state has passed a significant cigarette tax increase, the state has enjoyed a substantial increase to its state cigarette tax revenues, well above what they would have received absent any rate increase. This occurs, despite significant declines in smoking rates and taxed pack sales, because the increased tax per pack brings in much more new revenue than is lost by the declines in the number of taxed packs.ⁱⁱ The higher level of state tobacco tax revenues after a rate increase will decline over time as state smoking levels continue to shrink, but the revenue levels will remain much higher than they would have been without the rate increase. Moreover, the smoking-reduction revenue declines will occur at a gradual, predictable rate (as related savings grow), making related state budgeting quite easy. The following graph, presenting data from New Mexico, shows how state cigarette tax revenues do not decline sharply in the years following a significant cigarette tax increase.



Tobacco tax revenues are much more predictable than many other state revenues. Year to year, state tobacco tax revenues are more predictable and less volatile than many other state revenue sources, such as

state income tax or corporate tax revenues, which can vary considerably each year because of nationwide recessions or state economic slowdowns. In sharp contrast, large drops in tobacco tax revenue from one year to the next are quite rare because of the addictive power of cigarettes.

Comprehensive tobacco prevention efforts are likely to reduce state smoking rates by roughly one or two percentage points each year, but those smoking declines reduce total state pack sales and revenues by much smaller amounts, proportionately, since the heaviest smokers who consume the most cigarettes (and pay the most taxes) are the most addicted and most resistant to quitting. It is also worth noting that smokers who quit or cutback typically use their savings from reduced cigarette purchases to buy various other goods and services in the state, thereby increasing other state tax revenues and helping to strengthen the state economy.

Smoking declines produce enormous public and private sector savings that more than offset any state revenue reductions from fewer packs being sold. Although reductions to state smoking levels in the years after a cigarette tax increase will gradually erode state tobacco tax revenues (in the absence of any new state rate increases), those smoking declines will simultaneously lock in even bigger reductions in government and private sector smoking-caused costs. At the same time, the state would enjoy the even larger, rapidly growing cost savings from the sharper smoking declines prompted by the original cigarette tax increase.ⁱⁱⁱ

For example, cigarette tax increases work best to reduce smoking among youth, lower-income smokers and pregnant women – and those smoking declines directly reduce state Medicaid program expenditures. Similarly, decreasing smoking rates among workers directly reduces public and private sector employers' health insurance costs – while also reducing business productivity losses from smoking-caused job performance declines and work absences, and from losing productive workers to smoking-caused disease or disability. Among the many other savings from smoking reductions are reduced property losses from smoking-caused fires, and reduced cleaning and maintenance costs.

States can implement numerous cost-effective strategies to maintain and increase their tobacco tax revenues. To increase and then stabilize total state tobacco product tax revenue, states should make sure their tax rates on other tobacco products parallel their cigarette tax rates. Establishing such tax parity will ensure that a state does not lose revenues when smokers switch from cigarettes to other tobacco products. This kind of switching has been quite pronounced lately – largely because of much lower state tax rates on cigars and smokeless tobacco compared to cigarettes. In just the first five months of 2008 compared to 2007, cigarette sales dropped by 4.5 percent nationwide while moist snuff sales increased by 5.6 percent and small cigar sales increased by 21.2 percent.^{iv}

States can also *increase* their tobacco tax revenues, *without* raising tax rates, by implementing cost-effective initiatives to prevent and reduce cigarette smuggling and other forms of tobacco tax evasion – such as switching to high-tech tax stamps; passing strict laws to prevent illegal Internet cigarette sales; or increasing enforcement efforts.^v California, the first state with high-tech tax stamps, enjoyed a \$100 million increase in cigarette tax revenues in just the first 20 months after the new tax stamps were introduced.^{vi}

If gradually declining state tobacco tax revenues is still a concern – despite all the benefits and cost savings from the related smoking declines – a state could simply increase its tobacco tax rates both to offset the declines and bring in substantial more revenue. Alternatively, the state could implement legislation to allow the state treasurer or tax commissioner to increase state tobacco tax rates whenever state tobacco tax revenues (or total state tobacco revenues, including tobacco settlement payments) decline by more than a nominal amount compared to the prior year. Or the state could simply establish automatic, periodic adjustments to state cigarette tax rates to account for increases in inflation or cigarette prices, and maintain a comparable percentage-of-price tax on other tobacco products, which will automatically adjust for inflation, as well. But it is important to note that regular small increases to tobacco tax rates produce little or no public health benefits or cost savings compared to periodic larger lump-sum increases.

Campaign for Tobacco-Free Kids, December 19, 2008 / Eric Lindblom

For more information on tobacco tax increases, see <http://tobaccofreekids.org/reports/prices> and <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>.

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In the wake of significant budget shortfalls, numerous states have increased cigarette excise taxes to boost revenues. This study examines whether or not increasing the price of cigarettes, which will occur as a consequence of cigarette excise tax increases, and implementing stronger restrictions on smoking in private worksites and other public places have an impact on smoking cessation decisions of young adults, thereby influencing public health in the United States (US). This paper employs longitudinal data on young adults from the Monitoring the Future Surveys matched with information on site-specific prices and measures of clean indoor air restrictions. A Cox regression is employed to estimate the smoking cessation equations. The estimates clearly indicate that increasing the price of cigarettes increases the number of young adults who quit smoking. The average price elasticity of cessation is 0.35. In addition, stronger restrictions on smoking in private worksites and public places other than restaurants increase the probability of young adult smoking cessation. Given the well-documented benefits of smoking cessation, a significant increase in cigarette excises taxes may be one of the most effective means to reduce premature death and disease in the United States.

- [Health Econ](#). 2003 Mar;12(3):217-30. **The effect of cigarette prices on youth smoking.**

[Ross H](#), [Chaloupka FJ](#).

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Prior economic research provides mixed evidence on the impact of cigarette prices on youth smoking. This paper empirically tests the effects of various price measures on youth demand for cigarettes using data collected in a recent nationally representative survey of 17 287 high school students. In addition to commonly used cigarette price measures, the study also examined the effect of price as perceived by the students. This unique information permits the study of the effect of teen-specific price on cigarette demand. The analysis employed a two-part model of cigarette demand based on a model developed by Cragg (1971) in which the propensity to smoke and the intensity of the smoking habit are modeled separately. The results confirm that higher cigarette prices, irrespective of the way they are measured, reduce probability of youth cigarette smoking. There is also some evidence of negative price effect on smoking intensity, but it is sensitive to the price measure used in the model. The largest impact on cigarette demand has the teen-specific, perceived price of cigarettes. Copyright 2002 John Wiley & Sons, Ltd.

- [J Health Econ](#). 2003 Sep;22(5):843-59. Erratum in: [J Health Econ](#). 2004 Mar;23(2):419. **The impact of tobacco control program expenditures on aggregate cigarette sales: 1981-2000.**

[Farrelly MC](#), [Pechacek TF](#), [Chaloupka FJ](#).

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Since the 1998 Master Settlement Agreement (MSA) between states and the tobacco industry, states have unprecedented resources for programs to reduce tobacco use. Decisions concerning the use of these funds will, in part, be based on the experiences of states with existing programs. We examine the experiences of several states that have adopted comprehensive tobacco control programs. We also report estimates from econometric analyses of the impact of tobacco control expenditures on aggregate tobacco use in all states and in selected states with comprehensive programs for the period from 1981

through 2000. Our analyses clearly show that increases in funding for state tobacco control programs reduce tobacco use.

[Nicotine Tob Res.](#) 2002 Feb;4(1):109-14. **Differential effects of cigarette price on youth smoking intensity.**
[Liang L](#), [Chaloupka FJ](#).

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OBJECTIVES: Data from the 1992, 1993, and 1994 Monitoring the Future Surveys were used to investigate the differential effects of cigarette price on the intensity of youth cigarette smoking. **METHODS:** Respondents were classified into non-smokers; individuals who smoked less than one cigarette per day; individuals who smoked one to five cigarettes per day; individuals who smoked one-half pack a day; and individuals who smoked one pack or more a day. A Threshold of Change Model was estimated with information on cigarette prices as the main explanatory variables. **RESULTS:** Dummy variables indicating medium and high prices were found to have varying effects on different levels of smoking intensity, even though higher prices were associated with lower smoking in all cases. The differences are more striking in the high-price case. The effects of higher prices are largest at the heaviest smoking levels. **CONCLUSION:** Cigarette prices are an effective tool to discourage youth smoking. The differential effects of cigarette price on smoking intensity warrant further investigation.

[Tob Control.](#) 2006 Dec;15(6):458-63. **The association of retail promotions for cigarettes with the Master Settlement Agreement, tobacco control programmes and cigarette excise taxes.**
[Loomis BR](#), [Farrelly MC](#), [Mann NH](#).

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BACKGROUND: Retail stores are the primary medium for marketing cigarettes to smokers in the US. The prevalence and characteristics of cigarette retail advertising and promotions have been described by several investigators. Less is known about the proportion of cigarette sales occurring as part of a retail promotion and about the effects of tobacco control policies on cigarette promotions. **OBJECTIVE:** To estimate the effect of the Master Settlement Agreement (MSA), state tobacco control programme funding and cigarette taxes on retail promotions for cigarettes in supermarkets in the US. **OUTCOME MEASURES:** Proportion of cigarette sales occurring under a retail promotion and the value of multipack promotions (eg, buy one pack, get one pack free) and cents-off promotions, measured using scanner data in supermarkets from 50 retail market areas from 1994 to 2004. **RESULTS:** Promoted cigarette sales have increased significantly since the MSA ($p < 0.01$), and are higher in market areas with high tobacco control programme funding ($p < 0.01$) and high cigarette tax ($p < 0.01$). The value of a multipack promotion is higher since the MSA ($p < 0.01$) and in market areas with high cigarette tax ($p < 0.01$). The value of a cents-off promotion is negatively related to the MSA ($p < 0.01$), with mixed results for tobacco control programme funding ($p < 0.05$), and is unassociated with tax. **CONCLUSIONS:** Higher promoted cigarette sales and increased promotional values in market areas with strong tobacco control policies, compared with market areas with weaker tobacco control policies, may partially offset the decline in smoking achieved in those areas.

[Health Policy.](#) 2007 Mar;80(3):378-91. Epub 2006 May 12. **Limiting youth access to tobacco: comparing the long-term health impacts of increasing cigarette excise taxes and raising the legal smoking age to 21 in the United States.**
[Ahmad S](#), [Billimek J](#).

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Although many states in the US have raised cigarette excise taxes in recent years, the size of these increases have been fairly modest (resulting in a 15% increase in the per pack purchase price), and their impact on adult smoking prevalence is likely insufficient to meet Healthy People 2010 objectives. This paper presents the results of a 75-year dynamic simulation model comparing the long-term health benefits to society of various levels of tax increase to a viable alternative: limiting youth access to cigarettes by raising the legal purchase age to 21. If youth smoking initiation is delayed as assumed in the model, increasing the smoking age would have a minimal immediate effect on adult smoking prevalence and population health, but would affect a large drop in youth smoking prevalence from 22% to under 9% for the 15-17-year-old age group in 7 years (by 2010)-better than the result of raising taxes to increase the purchase price of cigarettes by 100%. Reducing youth initiation by enforcing a higher smoking age would reduce adult smoking prevalence in the long-term (75 years in the future) to 13.6% (comparable to a 40% tax-induced price increase), and would produce a cumulative gain of 109 million QALYs (comparable to a 20% price increase). If the political climate continues to favor only moderate cigarette excise tax increases, raising the smoking age should be considered to reduce the health burden of smoking on society. The health benefits of large tax increases, however, would be greater and would accrue faster than raising the minimum legal purchase age for cigarettes.

[Am J Public Health](#). 2005 Jun;95(6):1030-5. **A major state tobacco tax increase, the master settlement agreement, and cigarette consumption: the California experience.**

[Sung HY](#), [Hu TW](#), [Ong M](#), [Keeler TE](#), [Sheu ML](#).

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OBJECTIVES: We evaluated the combined effects on California cigarette consumption of an additional 50 cent per pack state tax imposed by Proposition 10 of January 1999 and a 45 cent per pack increase in cigarette prices stemming from the Master Settlement Agreement (MSA) of November 1998. **METHODS:** We used quarterly cigarette sales data for the period 1984-2002 to estimate a time-series intervention model adjusting for seasonal variations and time trend. **RESULTS:** Over the period 1999 through 2002, the combined effect was to reduce cigarette consumption by 2.4 packs per capita per quarter (1.3 billion packs total over the 4-year period) and to raise state tax revenues by \$2.1 billion. These effects were similar to the effects of a 25 cent per pack tax increase enacted by Proposition 99 a decade earlier, although with decreased relative effectiveness as measured by percentage of reduction in cigarette consumption divided by percentage of increase in taxation (-0.44 vs -0.60). **CONCLUSIONS:** A major increase in price through taxation and the MSA provided a strong economic disincentive for smokers in a state with a low smoking prevalence. This effect could be reinforced if part of the MSA payments were devoted to tobacco control programs.

[Tob Control](#). 2002 Mar;11(1):35-43. **Trends and affordability of cigarette prices: ample room for tax increases and related health gains.**

[Guindon GE](#), [Tobin S](#), [Yach D](#).

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BACKGROUND: Increasing the price of tobacco products is arguably the most effective method of curbing the prevalence and consumption of tobacco products. Price increases would reduce the global burden of disease brought about by tobacco consumption. **OBJECTIVES:** To compare cigarette price data from more than 80 countries using varying methods, examine trends in prices and affordability during the 1990s, and explore various policy implications pertaining to tobacco prices. **DESIGN:** March 2001 cigarette price data from the Economist Intelligence Unit are used to compare cigarette prices across countries. To facilitate comparison and to assess affordability, prices are presented in US dollars, purchasing power parity (PPP) units using the Big Mac index as an indicator of PPP and in terms of minutes of labour required to purchase a pack of cigarettes. Annual real percentage changes in cigarette prices between 1990 and 2000 and annual changes in the minutes of labour required to buy cigarettes between 1991 and 2000 are also calculated to examine trends. **RESULTS:** Cigarette prices tend to be

higher in wealthier countries and in countries that have strong tobacco control programmes. On the other hand, minutes of labour required to purchase cigarettes vary vastly between countries. Trends between 1990 and 2000 in real prices and minutes of labour indicate, with some exceptions, that cigarettes have become more expensive in most developed countries but more affordable in many developing countries. However, in the UK, despite recent increases in price, cigarettes are still more affordable than they were in the 1960s. CONCLUSIONS: The results suggest that there is ample room to increase tobacco prices through taxation. In too many countries, cigarette prices have failed to keep up with increases in the general price level of goods and services, rendering them more affordable in 2000 than they were at the beginning of the decade. Opportunities to increase government revenue and improve health through reduced consumption brought about by higher prices have been overlooked in many countries.

[Am J Public Health](#). 1998 Jul;88(7):1118-9; discussion 1120. Comment on: [Am J Public Health](#). 1997 Jul;87(7):1126-30. **The effect of cigarette taxes on cigarette consumption.**
[Showalter MH](#).

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OBJECTIVES: This paper reexamines the work of Meier and Licari in a previous issue of the Journal. METHODS: The impact of excise taxes on cigarette consumption and sales was measured via standard regression analysis. RESULTS: The 1983 federal tax increase is shown to have an anomalous effect on the regression results. When those data are excluded, there is no significant difference between state and federal tax increases. Further investigation suggests that firms raised cigarette prices substantially in the years surrounding the 1983 federal tax increase, which accounts for the relatively large decrease in consumption during this period. CONCLUSIONS: Federal excise taxes per se do not appear to be more effective than state excise taxes in terms of reducing cigarette consumption. The reaction of cigarette firms to government policies appears to be an important determinant of the success of antismoking initiatives.

[Am J Public Health](#). 1997 Jul;87(7):1126-30. Comment in: [Am J Public Health](#). 1998 Jul;88(7):1118-9; discussion 1120. **The effect of cigarette taxes on cigarette consumption, 1955 through 1994.**
[Meier KJ](#), [Licari MJ](#).

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OBJECTIVES: This study examines the effectiveness of state and federal taxes in reducing the consumption of cigarettes, estimates the impact of government health warnings, and shows how warnings and taxes interact. METHODS: By means of a pooled time-series analysis from 1955 through 1994 with the 50 states as units of analysis, the impact of excise taxes on cigarette consumption for several different models and econometric techniques is assessed. RESULTS: From 1955 through 1994, increases in state taxes were effective in reducing cigarette use. Federal tax increases, however, appear to have been more effective. This difference is partly the result of the "bootlegging" of cigarettes across state lines and the size of the increases in the federal tax. Cigarette consumption also declined when health warning labels were added. CONCLUSIONS: Increases of taxes on cigarettes are associated with declines in the consumption of tobacco. Because of inflation, increased health concerns, and the declining percentage of smokers, however, large reductions in consumption require large tax increases.

[Adv Health Econ Health Serv Res](#). 2005;16:277-91. **Tobacco control policies and youth smoking: evidence from a new era.**
[Tauras JA](#), [Markowitz S](#), [Cawley J](#).

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This chapter examines the impact of cigarette prices, taxes, and tobacco control policies on youth and young adult smoking propensity and intensity, in the U.S. during the years 1997-2001, a period

characterized by significant changes in cigarette prices and tobacco control policies. Employing a fixed effects technique, we find a strong negative impact of cigarette prices and taxes on youth and young adult smoking prevalence and conditional demand. Moreover, we find purchase, use, and possession laws to be inversely related to youth and young adult smoking prevalence.

[Public Health](#). 2007 Jul 2; [Epub ahead of print] **Raising taxes to reduce smoking prevalence in the US: A simulation of the anticipated health and economic impacts.**

[Ahmad S](#), [Franz GA](#).

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OBJECTIVE: To estimate health and economic outcomes of raising the excise taxes on cigarettes. **METHODS:** We use a dynamic computer simulation model to estimate health and economic impacts of raising taxes on cigarettes (up to 100% price increase) for the entire population of the USA over 20 years. We also perform sensitivity analysis on price elasticity. **RESULTS:** A 40% tax-induced cigarette price increase would reduce smoking prevalence from 21% in 2004 to 15.2% in 2025 with large gains in cumulative life years (7 million) and quality adjusted life years (13 million) over 20 years. Total tax revenue will increase by \$365 billion in that span, and total smoking-related medical costs would drop by \$317 billion, resulting in total savings of \$682 billion. These benefits increase greatly with larger tax increases, and tax revenues continue to rise even as smoking prevalence falls. **CONCLUSIONS:** Increasing taxes on cigarettes is a unique policy intervention that reduces smoking prevalence, generates additional tax revenue, and results in significant savings in medical care costs.

[J Health Econ](#). 2007 Apr 8; [Epub ahead of print] **The effectiveness of cigarette regulations in reducing cases of Sudden Infant Death Syndrome.**

[Markowitz S](#).

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Sudden Infant Death Syndrome (SIDS) is a leading cause of mortality among infants and is responsible for thousands of infant deaths every year. Prenatal smoking and postnatal environmental smoke have been identified as strong risk factors for SIDS. Given the link between smoking and SIDS, this paper examines the direct effects of cigarette prices, taxes and clean indoor air laws in explaining changes in the incidence of SIDS over time in the United States. State-level counts of SIDS cases are generated from death certificates for 1973-2003. After controlling for some observed and unobserved confounding factors, the results show that higher cigarette prices and taxes are associated with reductions in SIDS cases. Stronger restrictions on smoking in workplaces, restaurants and child care centers are also effective in reducing SIDS deaths.

[J Health Econ](#). 2005 Sep;24(5):950-68. **The importance of peer effects, cigarette prices and tobacco control policies for youth smoking behavior.**

[Powell LM](#), [Tauras JA](#), [Ross H](#).

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This paper expands the youth cigarette demand literature by undertaking an examination of the determinants of smoking among high school students incorporating the importance of peer effects and allowing cigarette prices (taxes) and tobacco control policies to have a direct effect and an indirect effect (via the peer effect) on smoking behavior. To control for the potential endogeneity of our school-based peer measure we implement a two-stage generalized least squares estimator for a dichotomous dependent variable and implement a series of diagnostic tests. The key finding is that peer effects play a

significant role in youth smoking decisions: moving a high-school student from a school where no children smoke to a school where one quarter of the youths smoke is found to increase the probability that the youth smokes by about 14.5 percentage points. The results suggest that there is a potential for social multiplier effects with respect to any exogenous change in cigarette taxes or tobacco control policies.

[J Public Health Manag Pract.](#) 2005 Jul-Aug;11(4):333-40. **Who supports tobacco excise taxes? Factors associated with towns' and individuals' support in Massachusetts.**
[Hamilton WL](#), [Biener L](#), [Rodger CN](#).

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OBJECTIVES: The authors examined factors related to public support for cigarette taxes: smoking behavior, attitudes about other tobacco control policies, and sociodemographic factors. **METHODS:** The authors regressed referendum voting outcomes on sociodemographic characteristics of Massachusetts' 351 towns. Logistic regressions on the surveys of Massachusetts adults (N = 14,000+) showed support for hypothetical tax increases to be related to respondents' smoking status, support for other tobacco control policies, and sociodemographic characteristics. **RESULTS:** Average educational attainment, probably acting as a proxy for nonsmoking prevalence, strongly predicted town-level support for Massachusetts' 1992 cigarette tax referendum. Survey respondents' support for hypothetical further increases was strongest if tax proceeds were earmarked for tobacco control or health purposes and if the individual was a nonsmoker and favored other tobacco control policies. For an earmarked tax, support was stronger among younger persons, females, persons with higher education, racial/ethnic minorities, and smokers with children. **CONCLUSIONS:** The high nationwide proportion of nonsmokers means that tobacco tax proposals can obtain strong voter support, but only if tax revenues are clearly earmarked for tobacco control and similar uses. Individual- and town-level characteristics can identify likely concentrations of support. Because attitudes toward tobacco control are only partly linked to smoking status, education campaigns may make a difference.

[Am J Prev Med.](#) 2005 Jul;29(1):19-26. **Cigarette tax increase and media campaign cost of reducing smoking-related deaths.**
[Fishman PA](#), [Ebel BE](#), [Garrison MM](#), [Christakis DA](#), [Wiehe SE](#), [Rivara FP](#).

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BACKGROUND: Tobacco use results in 500,000 premature deaths annually. Most smokers begin using tobacco before age 21, so the greatest impact on preventing smoking-related mortality is likely to come from campaigns targeting youths. This study estimates the cost-effectiveness of an anti-smoking media campaign and dollar 1 per pack increase in cigarette taxes on the lifetime decrease in smoking-attributable mortality among the cohort of all 18-year-olds in the United States during the year 2000. **METHODS:** Cost-effectiveness analysis conducted from a societal perspective. **RESULTS:** The combined effects of a media campaign and dollar 1 per pack tax increase will result in a societal savings of between dollar 590,000 per life-year saved, at a 3% discount rate and dollar 1.4 million per life year saved, at a 7% discount rate. **CONCLUSIONS:** A media campaign and \$1 per pack cigarette tax increase will reduce overall smoking prevalence, significantly decrease smoking-attributable mortality, and decrease net societal costs.

[Prev Med.](#) 2005 Jul;41(1):276-83. Epub 2005 Jan 7. **Increasing excise taxes on cigarettes in California: a dynamic simulation of health and economic impacts.**
[Ahmad S](#).

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BACKGROUND: California raised cigarette excise taxes in 1999, and may generate additional health and economic benefits by raising them further. METHODS: A dynamic computer simulation model follows births, deaths, migration, aging, and changes in smoking status for the entire population of California over 75 years to estimate the cumulative health and economic outcomes of these changes under several excise tax rate conditions (up to 100% price increase). RESULTS: A 20% tax-induced cigarette price increase would reduce smoking prevalence from 17% to 11.6% with large gains in cumulative life years (14 million) and QALY's (16 million) over 75 years. Total spending on cigarettes by consumers would increase by 270 million dollars in that span (all going to tax revenue), and those who reduce the number of years spent as a smoker would spend 12.5 billion dollars less on cigarettes. Total smoking-related medical costs would drop by 188 billion dollars. These benefits increase greatly with larger tax increases, with which tax revenues continue to rise even as smoking prevalence falls. CONCLUSIONS: Even considering benefits from the 1999 increase, California has not yet maximized the potential of excise taxes to lessen the negative impacts of smoking. Additional tax increases would provide added health benefits and revenue to the state.

[J Health Econ.](#) 2005 Mar;24(2):277-97. Epub 2004 Dec 19. **Cigarette tax avoidance and evasion.**
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Variation in state cigarette taxes provides incentives for tax avoidance through smuggling, legal border crossing to low tax jurisdictions, or Internet purchasing. When taxes rise, tax paid sales of cigarettes will decline both because consumption will decrease and because tax avoidance will increase. The key innovation of this paper is to compare cigarette sales data to cigarette consumption data from the Behavioral Risk Factor Surveillance System (BRFSS). I show that after subtracting percent changes in consumption, residual percent changes in sales are associated with state cigarette tax changes implying the existence of tax avoidance. I estimate that the tax avoidance response to tax changes is at least twice the consumption response and that tax avoidance accounted for up to 9.6% of sales between 1985 and 2001. Because of the increase in tax avoidance, tax paid sales data understate the level of smoking and overstate the drop in smoking. I also find that the level of legal border crossing was very low relative to other forms of tax avoidance. If states have strong preferences for smoking control, they must pair high cigarette taxes with effective policies to curb smuggling and other forms of tax avoidance or employ alternative policies such as counter-advertising and smoking restrictions.

[Am J Public Health.](#) 2004 Feb;94(2):225-9. **Poor smokers, poor quitters, and cigarette tax regressivity.**
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The traditional view that excise taxes are regressive has been challenged. I document the history of the term regressive tax, show that traditional definitions have always found cigarette taxes to be regressive, and illustrate the implications of the greater price responsiveness observed among the poor. I explain the different definitions of tax burden: accounting, welfare-based willingness to pay, and welfare-based time inconsistent. Progressivity (equity across income groups) is sensitive to the way in which tax burden is assessed. Analysis of horizontal equity (fairness within a given income group) shows that cigarette taxes heavily burden poor smokers who do not quit, no matter how tax burden is assessed.

[J Health Econ.](#) 2003 Nov;22(6):1053-72. **The effect of cigarette excise taxes on smoking before, during and after pregnancy.**
[Colman G](#), [Grossman M](#), [Joyce T](#).

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Recent analyses suggest that cigarette excise taxes lower prenatal smoking. It is unclear, however, whether the association between taxes and prenatal smoking represents a decline among women of reproductive age or a particular response by pregnant women. We address this question directly with an analysis of quit and relapse behavior during and after pregnancy. We find that the price elasticity of prenatal quitting and postpartum relapse is close to one in absolute value. We conclude that direct financial incentives to stop smoking during and after pregnancy should be considered.

[Prev Med.](#) 2003 Jul;37(1):68-70. **Impact of economic policies on reducing tobacco use among Medicaid clients in New York.**

[Murphy JM](#), [Shelley D](#), [Repetto PM](#), [Cummings KM](#), [Mahoney MC](#).

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BACKGROUND: New York State (NYS) recently implemented Medicaid coverage for prescription pharmacologic adjuncts for cessation and a 55-cent excise tax on a pack of cigarettes. This study examined awareness and use of stop smoking medications and changes in smoking/purchasing behavior among Medicaid clients. **METHODS:** Participants (n = 173) were English-speaking Medicaid clients ages 18-64 years who currently smoked cigarettes and volunteered to be interviewed while waiting to reregister with the NYC Medicaid Office during early 2001. Data were collected using a brief (10-min) interviewer-administered questionnaire. **RESULTS:** Over 80% of Medicaid clients reported some desire to stop smoking and 40% intended to stop smoking in the next 6 months. Awareness of Medicaid coverage for tobacco cessation pharmacotherapy was 7% for nicotine replacement therapy and 13% for bupropion. Use of these stop smoking medications varied across products but in general was low (<10%). Half of the Medicaid clients reported changing their smoking behavior as a result of the cigarette tax increase. **CONCLUSIONS:** The majority of Medicaid clients report a desire to stop smoking, but these economic influences alone are insufficient to substantially reduce smoking in this population. These findings emphasize the importance of allocating a portion of tobacco tax revenue to promote both expanded awareness of this prescription benefit among Medicaid clients and to support programs to further assist low-income smokers in their attempts to stop smoking.

[Am J Public Health.](#) 2003 May;93(5):828-34. **African Americans' attitudes toward cigarette excise taxes.**

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OBJECTIVES: This study examined African Americans' opinions regarding cigarette excise taxes and other tobacco control issues. **METHODS:** A stratified cluster sample of US congressional districts represented by African Americans was selected. African Americans from 10 districts were interviewed. **RESULTS:** Forty-seven percent of respondents stated that taxes on tobacco products should be increased, whereas about 30% believed that they should be reduced. Almost 75% disagreed that raising taxes on tobacco products is unfair to African Americans, and 57.9% reported that they would not be opposed to increasing taxes on cigarettes even if low-income smokers would be hit the hardest. **CONCLUSIONS:** The present results indicate substantial support for cigarette excise taxes among African Americans.

[Health Econ.](#) 2003 Mar;12(3):217-30. **The effect of cigarette prices on youth smoking.**

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Prior economic research provides mixed evidence on the impact of cigarette prices on youth smoking. This paper empirically tests the effects of various price measures on youth demand for cigarettes using

data collected in a recent nationally representative survey of 17 287 high school students. In addition to commonly used cigarette price measures, the study also examined the effect of price as perceived by the students. This unique information permits the study of the effect of teen-specific price on cigarette demand. The analysis employed a two-part model of cigarette demand based on a model developed by Cragg (1971) in which the propensity to smoke and the intensity of the smoking habit are modeled separately. The results confirm that higher cigarette prices, irrespective of the way they are measured, reduce probability of youth cigarette smoking. There is also some evidence of negative price effect on smoking intensity, but it is sensitive to the price measure used in the model. The largest impact on cigarette demand has the teen-specific, perceived price of cigarettes. Copyright 2002 John Wiley & Sons, Ltd.

[Tob Control](#). 2002 Mar;11 Suppl 1:l62-72. **Tax, price and cigarette smoking: evidence from the tobacco documents and implications for tobacco company marketing strategies.**

[Chaloupka FJ](#), [Cummings KM](#), [Morley CP](#), [Horan JK](#).

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OBJECTIVE: To examine tobacco company documents to determine what the companies knew about the impact of cigarette prices on smoking among youth, young adults, and adults, and to evaluate how this understanding affected their pricing and price related marketing strategies. **METHODS:** Data for this study come from tobacco industry documents contained in the Youth and Marketing database created by the Roswell Park Cancer Institute and available through <http://roswell.tobaccodocuments.org>, supplemented with documents obtained from <http://www.tobaccodocuments.org>. **RESULTS:** Tobacco company documents provide clear evidence on the impact of cigarette prices on cigarette smoking, describing how tax related and other price increases lead to significant reductions in smoking, particularly among young persons. This information was very important in developing the industry's pricing strategies, including the development of lower price branded generics and the pass through of cigarette excise tax increases, and in developing a variety of price related marketing efforts, including multi-pack discounts, couponing, and others. **CONCLUSIONS:** Pricing and price related promotions are among the most important marketing tools employed by tobacco companies. Future tobacco control efforts that aim to raise prices and limit price related marketing efforts are likely to be important in achieving reductions in tobacco use and the public health toll caused by tobacco.

[Am J Public Health](#). 2001 Nov;91(11):1851-6. **Cigarette taxes and smoking during pregnancy.**

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OBJECTIVES: This study sought to estimate how changes in state cigarette excise taxes affect the smoking behavior of pregnant women. **METHODS:** Detailed information about mothers and their pregnancy was used to examine the impact of taxes on the propensity of pregnant women to smoke. The 1989 to 1995 Natality Detail Files were used in conducting analyses to assess the impact of taxes on smoking among different subpopulations. **RESULTS:** Higher cigarette excise taxes reduced smoking rates among pregnant women. A tax hike of \$0.55 per pack would reduce maternal smoking by about 22%. Overall, a 10% increase in price would reduce smoking rates by 7%. Estimates for subpopulations suggested that nearly all would be very responsive to tax changes, including the subpopulations with the highest smoking rates. **CONCLUSIONS:** Smoking rates among pregnant women are responsive to tax hikes.

[Am J Public Health](#). 2007 Oct;97(10):1873-7. Epub 2007 Aug 29. **Cigarette prices, smoking, and the poor: implications of recent trends.**

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OBJECTIVE: We examined the relationship between smoking participation and cigarette pack price by income group and time period to determine role of cigarette prices in income-related disparities in smoking in the United States. **METHODS:** We used data from the 1984-2004 Behavioral Risk Factor Surveillance System surveys linked to information on cigarette prices to examine the adjusted prevalence of smoking participation and smoking participation-cigarette pack price elasticity (change in percentage of persons smoking relative to a 1% change in cigarette price) by income group (lowest income quartile [lower] vs all other quartiles [higher]) and time period (before vs after the Master Settlement Agreement [MSA]). **RESULTS:** Increased real cigarette-pack price over time was associated with a marked decline in smoking among higher-income but not among lower-income persons. Although the pre-MSA association between cigarette pack price and smoking revealed a larger elasticity in the lower- versus higher-income persons (-0.45 vs -0.22), the post-MSA association was not statistically significant ($P > .2$) for either income group. **CONCLUSIONS:** Despite cigarette price increases after the MSA, income-related smoking disparities have increased. Increasing cigarette prices may no longer be an effective policy tool and may impose a disproportionate burden on poor smokers.

ⁱ Standard & Poor's, *Altria Group: Sub-Industry Outlook*, December 6, 2008.

ⁱⁱ Campaign for Tobacco-Free Kids (TFK) Factsheet, *Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking)*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.

ⁱⁱⁱ State-specific factsheets are available upon request from factsheets@tobaccofreekids.org.

^{iv} U.S. Alcohol and Tobacco Tax and Trade Bureau. See also, TFK Factsheet, *How to Make State Cigar Tax Rates Fair and Effective*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0335.pdf>, and *The Problem with Roll-Your-Own (RYO) Cigarettes*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0336.pdf>.

^v See the TFK Factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <http://tobaccofreekids.org/research/factsheets/pdf/0274.pdf>.

^{vi} Halper, E, "States Tobacco Revenue Surges," *Los Angeles Times*, December 27, 2005. TFK Factsheet, *The Case for High-Tech Cigarette Tax Stamps*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0310.pdf>.