

Taxes on tobacco help reduce the number of tobacco users

In the United States, tobacco use is the single leading preventable cause of disease, disability, and death.¹ An estimated 443,000 people die prematurely in the United States each year and another 8.6 million have a serious illness caused by smoking or exposure to secondhand smoke.¹ Smoking also costs the US \$96 billion in medical costs for those suffering from the health effects and \$97 billion in lost productivity annually.¹ The Centers for Disease Control and Prevention (CDC)'s Best Practices for Comprehensive Tobacco Control Programs provides that the more that states spend on comprehensive tobacco control, the greater the reduction in smoking rates, which reduces death and disease related to tobacco use.² Therefore, if states were to meet their recommended level of investment in tobacco control, smoking rates would be reduced by 5 million.²

According to the Surgeon General, "evidence-based reviews have concluded that increases in the price of cigarettes through excise taxes or other strategies are an effective policy intervention to prevent smoking initiation among adolescents and young adults, reduce cigarette consumption, and increase the number of smokers who quit."³ The CDC found that an increase in excise taxes in Massachusetts, for example, when combined with an anti-smoking campaign, produced a 19.7% decline in cigarette consumption per capita four years after the tax increase was initiated.⁴ Adolescents are particularly sensitive to tobacco product price increases and a study by the independent CDC Task Force on Community Prevention Services concluded that increasing the unit price for tobacco products is an effective method for reducing tobacco use among young adults and adolescents.⁵ The largest impact on cigarette demand for teens is the perceived price of cigarettes.⁶ ⁷ Increasing excise taxes on tobacco products is especially effective in discouraging initiation among youth who have not developed an addiction to tobacco from becoming users,

thus protecting their health and increasing their likelihood of remaining tobacco-free.⁸

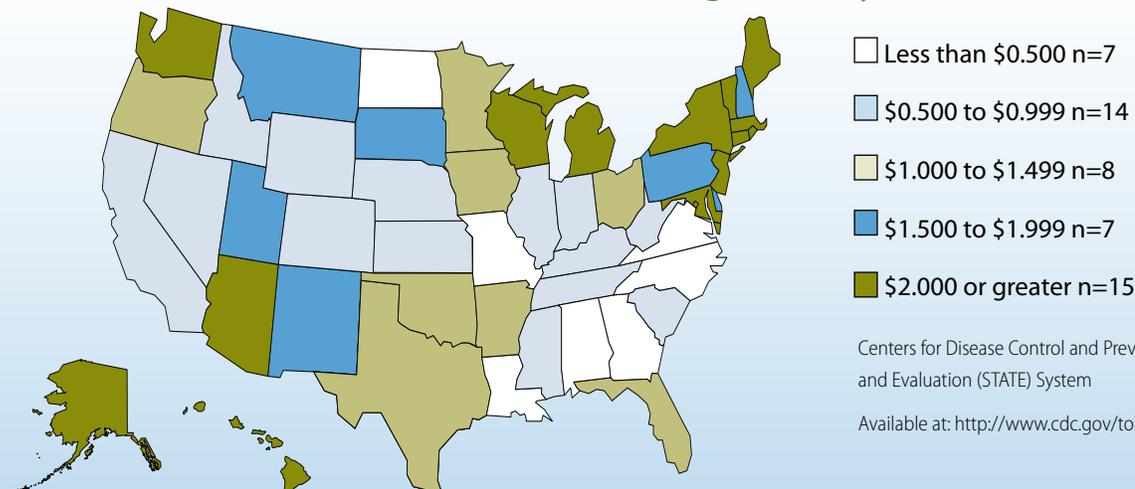
Evidence from the United States indicates that a 10% increase in the price reduces the average cigarette consumption by about 4% in smokers.⁹ The potential savings, plus investment from tax revenues, from increased tobacco prices could be used to stimulate other sectors of the economy with \$45 billion in investments through 2025.¹⁰

States' activity to reduce tobacco use through excise taxes

Through June 30, 2011, the state excise tax on cigarettes ranges from \$0.17 per pack in Missouri to \$4.35 per pack in New York. The federal tax remains at \$1.01 per pack. Only seven states (Alabama, Georgia, Louisiana, Missouri, North Carolina, North Dakota, and Virginia) have an excise tax on cigarettes that is under \$0.50 per pack. Fourteen states have an excise tax on cigarettes from \$0.50 to \$0.999 per pack. Fifteen states have cigarette excise taxes from \$1.00 to \$1.999 per pack and fourteen states and the District of Columbia have a cigarette excise tax of at least \$2.00 per pack. This is an increase since 2006 when only six states had an excise tax rate of at least \$2.00.

Unlike the tax on cigarettes (calculated per pack), the tax on smokeless tobacco is usually measured in either a dollar amount per ounce or as a percentage of a price (such as the wholesale or manufacturer's price) and the calculations vary by state. For example, Vermont's tax on smokeless tobacco is set at 92% of the wholesale price, whereas Maine's smokeless tax is \$2.020 per ounce on chewing tobacco and snuff. Nineteen states have specific defined excise taxes on certain types of smokeless tobacco, such as chewing tobacco and snuff. Pennsylvania is the only state that does not tax smokeless tobacco.

Excise tax rates on Packs of Cigarettes by State (n=51, as of June 30, 2011)



Centers for Disease Control and Prevention. State Tobacco Activities Tracking and Evaluation (STATE) System

Available at: <http://www.cdc.gov/tobacco/statesystem>

Excise Tax - Cigarette Tax per Pack and Smokeless Tobacco Tax As of June 30, 2011

State	Cigarette Tax (\$ per pack)	Smokeless Tobacco Percent Value	Smokeless Tobacco Type of Tax	Chewing Tobacco Tax (\$)	Snuff Tax (\$)
Alabama	0.425		Per Ounce	0.015	0.010
Alaska	2.000	75	Wholesale price		
Arizona	2.000		Per Ounce	0.223	0.223
Arkansas	1.150	68	Manufacturer's sales price		
California	0.870	33.02	Wholesale sales price		
Colorado	0.840	40	Manufacturer's sales price		
Connecticut	3.000	27.5	Wholesale sales price		0.550
Delaware	1.600	15	Wholesale sales price		0.540
District of Columbia	2.500	12	Retail Sales Price	0.750	0.750
Florida	1.339	85	Wholesale sales price		
Georgia	0.370	10	Wholesale cost price		
Hawaii	3.000	70	Wholesale sales price		
Idaho	0.570	40	Wholesale sales price		
Illinois	0.980	18	Wholesale sales price		
Indiana	0.995	24	Wholesale sales price		
Iowa	1.360	50	Wholesale sales price		1.190
Kansas	0.790	10	Wholesale sales price		
Kentucky	0.600	15	Wholesale sales price		0.127
Louisiana	0.360	20	Manufacturer's invoice price		
Maine	2.000		Per Ounce	2.020	2.020
Maryland	2.000	15	Wholesale sales price		
Massachusetts	2.510	90	Price paid by licensee/unclassified acquirer		
Michigan	2.000	32	Wholesale price		
Minnesota	1.230	70	Wholesale sales price		
Mississippi	0.680	15	Manufacturer's list price		
Missouri	0.170	10	Manufacturer's invoice price		
Montana	1.700	50	Wholesale sales price		0.850
Nebraska	0.640	20	Purchase price		0.440
Nevada	0.800	30	Wholesale price		
New Hampshire	1.780	65.03	Wholesale price		
New Jersey	2.700	30	Wholesale price		0.750
New Mexico	1.660	25	Product value		
New York	4.350	75	Wholesale sales price		2.000
North Carolina	0.450	12.8	Cost price		
North Dakota	0.440	28	Wholesale purchase price	0.160	0.600
Ohio	1.250	17	Wholesale price		
Oklahoma	1.030	60	Factory list price		
Oregon	1.180	65	Wholesale sales price		1.780
Pennsylvania	1.600	None			
Rhode Island	3.460	80	Wholesale sales price		1.000
South Carolina	0.570	5	Manufacturer's list price		
South Dakota	1.530	35	Wholesale purchase price		
Tennessee	0.620	6.6	Wholesale cost price		
Texas	1.410		Per Ounce	1.130	1.130
Utah	1.700	86	Manufacturer's sales price		
Vermont	2.240	92	Wholesale price		1.870
Virginia	0.300	10	Manufacturer's sales price		
Washington	3.025	95	Taxable Sales Price		2.105
West Virginia	0.550	7	Wholesale price		
Wisconsin	2.520	71	Manufacturer's list price		
Wyoming	0.600	20	Wholesale purchase price		0.600

The STATE System contains data synthesized from state-level statutory laws. It does not contain state-level regulations; measures implemented by counties, cities, or other localities; opinions of Attorneys General; or relevant case law decisions for tobacco control topics other than preemption; all of which may vary significantly from the laws reported in the database, fact sheets, and publications.

State Tobacco Activities Tracking and Evaluation (STATE) System <http://www.cdc.gov/tobacco/statesystem>
Centers for Disease Control and Prevention

National Center for Chronic Disease Prevention and Health Promotion

Opportunities for reducing tobacco use exist for states

Raising excise taxes on tobacco products, along with other tobacco control measures, is one of the most effective methods to prevent or reduce tobacco use.^{10,11} Many states have taken steps recently to increase the excise taxes on tobacco products in an effort to reduce tobacco use.

Twenty-one states, however, have excise tax rates of less than \$1.00 on packs of cigarettes and seven states have taxes under \$0.50 per pack. Higher excise taxes on tobacco products can act as a stimulus to encourage current users to quit and as a deterrent to non-users from beginning to use tobacco products. States with lower tobacco product taxes also limit their potential to use revenue as dedicated tax revenue for tobacco control. This tobacco control spending can also offset the health costs related to smoking, which the CDC estimates is \$7.18 per pack of cigarettes sold and consumed in the United States.¹²

Since just incremental increases in excise taxes can influence smoking behavior (especially in youth), states can use excise taxes as a tool to raise revenue, reduce both private and public healthcare costs, and improve the health of their citizens.

References:

1. CDC Grand Rounds: Current Opportunities in Tobacco Control. MMWR 2010;59(16):487-492.
2. CDC. Best practices for comprehensive tobacco control programs – 2007. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health; 2007.
3. U.S. Department of Health and Human Services. How Tobacco Smoke Causes Disease: The Biology and Behavioral Basis for Smoking-Attributable Disease: A Report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2010.
4. CDC. Cigarette smoking before and after an excise tax increase and an anti-smoking campaign – Massachusetts, 1990-1996. MMWR 1996;45(44):966-70.
5. Zaza S, Bris P, Harris K, editors. The guide to community preventive services: What works to promote health? New York, NY: Oxford University Press; 2005.
6. Ross H, Chaloupka FJ. The effect of cigarette prices on youth smoking. Health Econ 2003;12(3):217-30.
7. Chaloupka FJ. Macro-social influences: The effect of prices and tobacco-control policies on the demand for tobacco products. Nicotine Tob Res 1999;1 Suppl 1:S105-9.
8. Institute of Medicine. Ending the tobacco problem: a blueprint for the nation. Washington, DC: The National Academies Press; 2007.
9. The Task Force on Community Preventive Services. The guide to community preventive services: what works to promote health? New York, NY: Oxford University Press; 2005. Available at <http://www.thecommunityguide.org/tobacco/tobacco.pdf>. Accessed Dec 16, 2010.
10. Ahmad S, Franz G. Raising taxes to reduce smoking prevalence in the U.S.: A simulation of the anticipated health and economic impacts. Public Health 2007;122(1):3-10.
11. Task Force on Community Preventive Services. Recommendations regarding interventions to reduce tobacco use and exposure to environmental tobacco smoke. Am J Prev Med 2001;20(25):10-5.
12. CDC. Annual smoking-attributable mortality, years of potential life lost, and economic costs – United States, 1995-1999. MMWR 2002;51(14):300-3.

State Tobacco Activities Tracking and Evaluation (STATE) System

<http://www.cdc.gov/tobacco/statesystem>

Centers for Disease Control and Prevention

National Center for Chronic Disease Prevention and Health Promotion

CS25211E