

THE NEED FOR STATE TOBACCO TAX INCREASES

ECONOMIC RESEARCH CONFIRMS THAT TOBACCO TAX INCREASES REDUCE TOBACCO USE. Numerous economic studies have shown that cigarette tax increases reduce both adult and underage smoking. Every 10% increase in the real price of cigarettes reduces overall cigarette consumption by approximately three to five percent. It also reduces the number of young-adult smokers by 3.5% and the number of kids who smoke by six or seven percent. Similar results come from increasing the taxes on other tobacco products.

The tobacco companies' internal documents 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.*

Lorillard Tobacco: *We believe that increases in excise and similar taxes have had an adverse impact on sales of cigarettes.*

TOBACCO TAX INCREASES ARE A RELIABLE SOURCE OF SUBSTANTIAL NEW STATE REVENUE. Opponents of state tobacco tax increases often claim 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.

- Every state that has passed a significant cigarette tax increase has enjoyed a substantial increase to its state cigarette tax revenues.
- State tobacco tax revenues are 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 economic slowdowns.
- Any declines in state tobacco tax revenues because of reduced tobacco product use are offset by much larger reductions in government and private sector tobacco-caused costs. For example:
 - Tobacco tax increases reduce state Medicaid program expenditures by reducing tobacco use among youth, lower-income smokers and pregnant women.
 - Decreasing tobacco use rates among workers directly reduces public and private sector employers' health insurance costs. It also reduces business productivity losses from smoking-caused job performance declines and work absences.
 - Additional reductions in tobacco-caused costs include decreased property losses from smoking-caused fires, and reduced cleaning and maintenance costs.

THE BEST WAY TO TAX TOBACCO. To increase and stabilize total state tobacco product tax revenue, states should make sure their tax rates on other tobacco products, such as cigars and smokeless tobacco products, parallel their cigarette tax rates. This will ensure that a state does not lose revenues when smokers switch from cigarettes to other tobacco products.

VOTERS SUPPORT TOBACCO TAX INCREASES. 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. Also, voter support for a tobacco tax increase does not diminish even with a higher amount.

TOBACCO TAX INCREASES HELP LOW-INCOME COMMUNITIES. When the cigarette companies claim that cigarette tax increases are regressive and hurt poor people, they have it backwards. *It is the harms from tobacco use that are regressive.* Lower-income communities already suffer disproportionately from tobacco-caused disease, disability, death, and costs. By prompting more lower-income smokers to quit and cut back, raising state tobacco tax rates will reduce those regressive harms and costs, directly helping lower-income tobacco users and also reducing tobacco-caused costs and harms to their families.

For more information, please visit http://www.tobaccofreekids.org/what_we_do/state_local/taxes/.