

Increase Tobacco Excise Taxes

Save Lives. Reduce Health Care Costs. Generate Revenue.



The American Cancer Society Cancer Action Network (ACS CAN) supports a comprehensive approach to tobacco control that includes significantly increasing excise taxes on all forms of tobacco.

Health Costs of Tobacco Use

Tobacco is an addictive and deadly product and tobacco use remains the nation's number one cause of preventable death. Cigarette smoking and exposure to secondhand smoke cause approximately one out of every five deaths in the U.S., more than 480,000 premature deaths each year.^{i,ii} This includes at least 28 percent of all cancer deathsⁱⁱⁱ and 80 percent of lung cancer deaths.^{iv}

The Surgeon General projects that without further action, 5.6 million youth age 0-17 alive today will die prematurely from tobacco use.^v Despite the proven health risks, current rates of cigarette smoking and tobacco use remain high. 15.5 percent of U.S. adults, approximately 37.8 million people, smoke cigarettes^{vi} and 21.3 percent use some form of tobacco.^{vii} Eight percent of high school students smoke cigarettes and 20.2 percent use some form of tobacco.^{viii}

Economic Costs of Tobacco Use

While the personal toll of tobacco is high, this deadly product also costs the U.S. economy billions of dollars in health care costs and lost worker productivity. Total health care spending, public and private, is approximately \$170 billion annually and productivity losses total more than \$150 billion a year.^{ix} In fact, smoking-related health care costs and productivity losses in the U.S. amount to \$19.16 per pack of cigarettes sold.^{xi} In contrast, the average retail price of a pack of cigarettes in the U.S. remains at \$6.43.^{xii} The low price of tobacco products makes it easy for youth to afford to start and continue smoking, and does little to defray the societal cost smoking has on the U.S. economy.

Reducing Tobacco Use by Increasing Tobacco Excise Taxes

ACS CAN supports a comprehensive approach to tobacco control that includes significantly increasing excise taxes on all forms of tobacco. The average state cigarette tax is \$1.72 per pack, but state cigarette excise taxes vary significantly, from a low of 17 cents per pack in Missouri to a high of \$4.35 in New York and Connecticut and \$5.10 in Puerto Rico.

- **Save Lives:** Regular, significant tax increases of \$1.00 or more per pack of cigarettes reduce the number of people who begin smoking and increase the number of smokers who quit. Low-income adults, youth, and pregnant women are especially likely to quit or reduce their smoking when the price increases.^{xiii} In the year after the 2013 cigarette tax increase of \$1.60 in Minnesota, cigarette sales dropped by almost a quarter or 54.6 million packs. Furthermore, among smokers who quit, about two-thirds reported that the increase in price helped them make a quit attempt or stay quit.^{xiv}
- **Reduce Health Care Costs:** Lower smoking rates translate into fewer smoking-related cancers and premature deaths, reduced spending on smoking-related health problems, and more productive workers.
- **Generate Revenue:** Substantial increases in cigarette tax rates generate new revenue.^{xv}

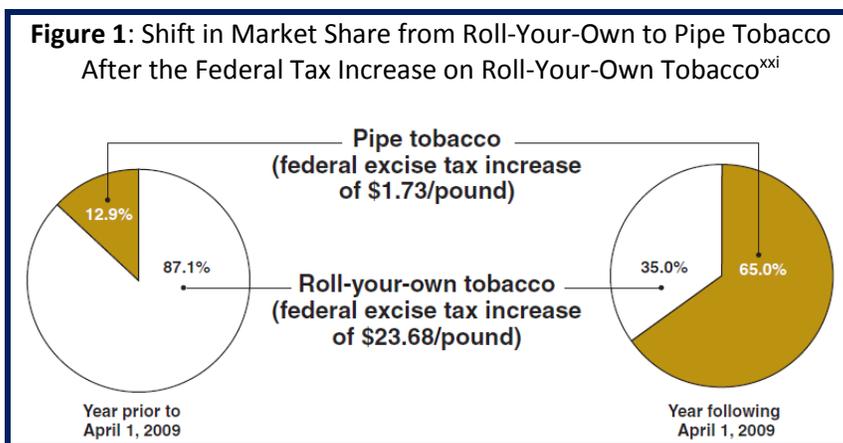
Maximizing the Health and Economic Benefits of a Tobacco Tax Increase

Tax increases must be significant, at least a \$1.00 per pack of cigarettes to produce a meaningful public health impact. Research shows that nationally, a 10 percent cigarette price increase, if maintained against inflation, reduces youth smoking rates by 6.5 percent or more, young adult (18-24 years old) smoking rates by about 3.25 percent, adult smoking rates by 2 percent, and total consumption by 4 percent.^{xvi,xvii,xviii,xix} When tax increases are small, tobacco companies can adjust prices or offer coupons or discounts to reduce the impact. Tobacco companies spent nearly \$7.3 billion in 2015, 88 percent of their cigarette marketing budgets, on coupons and promotions that reduced the prices consumers paid for cigarettes.^{xx}

Tax Increases Should Apply to All Tobacco Products

When different types of tobacco products are taxed at different rates, lower-taxed products are cheaper than they would be if all tobacco products were taxed at an equivalent rate. By increasing the tax on all tobacco products to an equivalent rate, states can help reduce tax evasion, generate more new revenue, prevent initiation of these products, and ensure that more tobacco users quit instead of switching to a cheaper product. What happens when the taxes go up for some, but not all, tobacco products?

- After the 2009 federal tax increase, roll-your-own tobacco was taxed at a much higher rate than pipe tobacco, even though the two products can be used interchangeably. Manufacturers started marketing roll-your-own tobacco as pipe tobacco, and consumers bought the lower-taxed pipe tobacco instead of the higher-taxed roll-your-own tobacco (Figure 1).^{xxii}
- This tax loophole is a lose-lose for the government, because people who switch tobacco products pay lower taxes but continue to have costly health problems.
- Federal revenue from the 2009 tax over the first 2.5 years was as much as \$1.1 billion lower than it could have been if there had been similar tax increases on all tobacco products.



ACS CAN's Position

ACS CAN advocates for regular and significant increases in federal, state, and local excise taxes that will increase the price of all tobacco products.

- Tax increases should be a minimum increase of \$1.00 per pack of cigarettes and an equivalent tax on OTPs to produce a meaningful reduction in tobacco consumption and tobacco-related disease and death.
- There should be tax parity for all tobacco products, including pipe tobacco, small and large cigars, snus, and all other smokeless tobacco products.
- Tax increases should be just one part of a comprehensive approach to tobacco control, including creating 100% smoke-free environments and fully funding effective tobacco prevention and cessation programs.

ⁱ U.S. Department of Health and Human Services (HHS). *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

ⁱⁱ CDC. QuickStats: Number of Deaths from 10 Leading Causes — National Vital Statistics System, United States, 2010. *MMWR* 2013; 62(8): 155.

ⁱⁱⁱ Lortet-Tieulent J, Goding Sauer A, Siegel RL, Miller KD, Islami F, Fedewa SA, Jacobs EJ, Jemal A. State-Level Cancer Mortality Attributable to Cigarette Smoking in the United States. *JAMA Intern Med*. 2016;176(12):1792-1798. doi:10.1001/jamainternmed.2016.6530

^{iv} American Cancer Society. *Cancer Facts & Figures, 2017*. Atlanta, GA: American Cancer Society, 2017.

^v HHS, 2014.

^{vi} Centers for Disease Control and Prevention. Cigarette Smoking Among Adults—United States, 2016. *Morbidity and Mortality Weekly Report* 2018;67(2):53-59.

^{vii} CDC. "Tobacco Product Use Among Adults – United States, 2013-2014,". *Morbidity & Mortality Weekly Report*, 65: 685-691, July 15, 2016

^{viii} CDC. "Tobacco Use Among Middle and High School Students – United States 2011 – 2016," *Morbidity & Mortality Weekly Report*, 66(23): 597-603. June 16, 2017.

^{ix} HHS, 2014

^x Xu, X., Bishop, E., Kennedy, S., Simpson, S., and Pechacek, T, "Annual Healthcare Spending Attributable to Cigarette Smoking: An Update," *American Journal of Preventative Medicine*. 48:3 March 2015.

^{xi} Campaign for Tobacco-Free Kids. Toll of Tobacco in the United States. <http://www.tobaccofreekids.org/research/factsheets/pdf/0072.pdf>. Accessed July 21, 2017.

^{xii} The Tax Burden on Tobacco. Historical Compilation, Volume 51, 2016.

^{xiii} HHS, 2014

^{xiv} https://tobacconomics.org/wp-content/uploads/2015/02/Minnesota-2013-Tobacco-Tax-White-Paper_10Feb15.pdf

^{xv} Campaign for Tobacco-Free Kids. Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking) Fact Sheet. Updated June 7, 2017 Available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.

^{xvi} Chaloupka, FJ, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://www.ihrp.uic.edu/researcher/frank-j-chaloupka-phd> and <https://tobacconomics.org/>.

^{xvii} 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.

^{xviii} Chaloupka, FJ & Pacula, R, "The Impact of Price on Youth Tobacco Use," Chapter 12 in National Cancer Institute, Smoking and Tobacco Control Monograph 14, *Changing Adolescent Smoking Prevalence*, November 2001; International Agency for Research on Cancer (IARC), *Effectiveness of Tax and Price Policies for Tobacco Control*, IARC Handbooks of Cancer Prevention in Tobacco Control, Volume 14, 2011.

^{xix} Community Preventive Services Task Force, "Tobacco Use and Secondhand Smoke Exposure: Interventions to Increase the Unit Price for Tobacco Products," November 2012, <https://www.thecommunityguide.org/findings/tobacco-use-and-secondhand-smoke-exposure-interventions-increase-unit-price-tobacco#tab-wttff>

^{xx} Federal Trade Commission. *Cigarette Report for 2015*. Washington: Federal Trade Commission, 2017.

^{xxi} U.S. Government Accountability Office. *Illicit Tobacco: Various Schemes are Used to Evade Taxes and Fees*. GAO-11-1313, March 2011.

<http://www.gao.gov/new.items/d11313.pdf>

^{xxii} U.S. Government Accountability Office. *Large Disparities in Rates for Smoking Products Trigger Significant Market Shifts to Avoid Higher Taxes*, GAO-12-475, April 18, 2012, <http://www.gao.gov/products/GAO-12-475>.