



New Revenues, Public Health Benefits and Cost Savings From a 94 Cent Federal Cigarette Tax Increase

Current federal cigarette tax: **\$1.01¹ per pack**

Smoking-caused health care costs in the U.S.: **\$10.47 per pack²**

Annual U.S. health care expenditures directly caused by cigarette use: **\$96 billion²**

Annual productivity losses from smoking each year: **\$97 billion²**

Projected New Revenue

from Increasing the Cigarette Tax Rate by 94 Cents Per Pack,¹

\$78.09 billion

and All Other Tobacco Product Taxes by the Same Proportion, 2014-2023:³

Projected Public Health Benefits of a 94-Cent Cigarette Tax Rate Increase for Adults⁴

Almost 2.6 million	Over 18,000	About 398,000
Fewer adult smokers within 10 years	Adults saved from premature smoking-caused death within 10 years	Adults saved from premature smoking-caused death over 70+ years

Projected Public Health Benefits of a 94-Cent Cigarette Tax Rate Increase for Youth^{5,6}

1.74 million	626,000	470,000
Current youth kept from becoming addicted adult smokers	Current youth saved from premature smoking-caused death	Smoking-affected births prevented over next 10 years

Projected Health Care Cost Savings of a 94-Cent Cigarette Tax Rate Increase⁷

\$821.28 million	\$1.07 billion	\$1.37 billion	\$63.62 billion
10-Year health care cost savings from fewer smoking-caused lung cancer cases	10-Year health care cost savings from fewer smoking-affected pregnancies & births	10-Year health care cost savings from fewer smoking-caused heart attacks & strokes	Long-term health care cost savings from adult & youth smoking declines

The President's FY14 budget proposal also included an increase in the federal excise tax on other tobacco products, which will produce additional public health benefits and health care cost savings for the country. The tax increase amounts would also be indexed to inflation.

- Small tax increase amounts do not produce significant public health benefits or cost savings because the cigarette companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Increasing the tax rate with inflation will also help to ensure that the public health and revenue benefits of the tax increase do not diminish as quickly over time.
- Raising federal tax rates on other tobacco products (OTPs) to parallel the increased federal cigarette tax rate will bring the federal government more revenue, public health benefits, and cost savings (and promote tax equity). With unequal rates, the federal government loses revenue each time a cigarette smoker switches to cigars, roll-your-own tobacco, or smokeless tobacco products. It is important to consider all aspects of tax policy related to OTPs, including the new generation of smokeless tobacco products, product definitions, minimum pack sizes, tax rates, and whether the rates are based on price or weight, in order to ensure that they are adequately taxed to protect public health. It is important for all OTP to be taxed at an equivalent rate to prevent switching from one tobacco product to another.

Sources, Explanations & Notes

1. The current federal cigarette excise tax is \$1.0066 per pack, and the cigarette tax increase included in the President's FY14 budget is 94.64 cents per pack, which would bring the total federal cigarette tax to \$1.953 per pack. For the purposes of this fact sheet, these numbers have been rounded to a current federal cigarette tax of \$1.01, a proposed increase of 94 cents, and a proposed total federal cigarette tax of \$1.95. The estimates on this sheet are based on a 94 cent cigarette tax increase.
2. Source: U.S. Centers for Disease Control. *Annual Smoking-Attributable Mortality, Years of Potential Life Lost and Productivity Losses -United States 2000-2004*, MMWR 57(45), November 14, 2008. See also, CDC, Sustaining State Programs for Tobacco Control: Data Highlights 2006 and underlying CDC data and estimates, http://www.cdc.gov/tobacco/data_statistics/state_data/data_highlights/2006/index.htm.
3. Source: White House Office of Management and Budget. <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/receipts.pdf>.
4. Source: Extrapolated from Congressional Budget Office report, *Raising the Excise Tax on Cigarettes: Effects on Health and the Federal Budget*. June 2012. http://www.cbo.gov/sites/default/files/cbofiles/attachments/06-13-Smoking_Reduction.pdf.
5. Projections by the American Cancer Society Cancer Action Network, in cooperation with and using the econometric modeling of Dr. Frank Chaloupka, University of Illinois at Chicago Institute for Health Research and Policy. The modeling is based on research findings that each 10% cigarette price increase reduces youth smoking by 6.5%, adult rates by 2%, and total consumption by about 4% (adjusted down to account for tax evasion effects). The projections incorporate the effect of both ongoing background smoking declines and the continued impact of the a federal cigarette tax increase on prices, smoking levels, and pack sales. The public health benefits and cost savings of a federal tax increase were calculated as the sum of the benefits of a tax increase of the same amount in each state.
6. Kids stopped from smoking and dying are from all youth ages 17 and under alive today.
7. Projections by the American Cancer Society Cancer Action Network, in cooperation with and using the econometric modeling of Dr. Frank Chaloupka, University of Illinois at Chicago Institute for Health Research and Policy. The projections incorporate the effect of both ongoing background smoking declines and the continued impact of the federal cigarette tax increase on prices, smoking levels, and pack sales. Long-term cost savings accrue over the lifetimes of persons who stop smoking or never start because of the tax rate increase. All cost savings are in 2013 dollars. These projections are fiscally conservative because they include a generous adjustment for potential smuggling and tax evasion.

Note on Revenue: Ongoing reductions in the smoking rate will, over time, gradually erode federal cigarette tax revenues (in the absence of any new rate increases). But those declines are more predictable and less volatile than many other federal revenue sources, such as federal income tax or corporate tax revenues (which can drop sharply during recessions). In addition, the smoking declines that reduce tobacco tax revenues will simultaneously produce much larger reductions in government and private sector smoking-caused costs. 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.