

The Importance of Tax Parity for All Tobacco Products



Increasing tobacco taxes is one of the best ways to reduce tobacco use. It is important that tax increases apply to all tobacco products at an equivalent rate to encourage people to quit rather than switch to a cheaper product as well as to prevent youth from starting to use any tobacco product. In many states other tobacco products are taxed at a lower rate than cigarettes, making them an appealing alternative for price-sensitive consumers including youth. Other tobacco products include, but are not limited to, moist snuff, nasal snuff, loose-leaf and plug chewing tobacco, snus, dissolvable tobacco products, cigars, pipe tobacco, roll-your-own tobacco, hookah, and electronic cigarettes.

The Health Effects of Tobacco

- Cigarettes: 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}
- Smokeless Tobacco: can cause oral, esophageal, and pancreatic cancers as well as precancerous lesions of the mouth, gum recession, bone loss around the teeth, tooth staining, and nicotine addictionⁱⁱⁱ and contains at least 28 cancer causing chemicals.^{iv}
- Hookah: people who smoke hookah may be at risk for some of the same diseases as people who smoke cigarettes including cancer of the oral cavity, lung, stomach, and esophagus.^v
- Cigars: people who smoke cigars are four to 10 times more likely to die from lung, laryngeal, oral or esophageal cancers than non-smokers.^{vi}
- E-cigarettes: the Surgeon General concluded that “e-cigarette aerosol is not harmless. It can contain harmful and potentially harmful constituents, including nicotine.”^{vii}

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As states increase taxes on cigarettes and smoking rates decline, increasing taxes on all other tobacco products to achieve tax parity takes on greater importance. All other tobacco products (OTP) should be taxed at the same rate as cigarettes to encourage smokers to quit rather than switching to lower-priced alternatives.

Cigarettes



Cigarettes are often taxed at a much higher rate than OTP. ACS CAN urges states to raise taxes on all tobacco products regularly and significantly, as

research shows this is one of the best ways to curb tobacco use.

Little Cigars

Lower tax rates make little cigars appealing to young smokers.



Smokeless Tobacco

Smokeless tobacco, consumed orally or nasally, increases the risk of cancer and leads to nicotine addiction.



Large Cigars

Manufacturers can manipulate weight to evade higher taxes.



Hookah

Secondhand hookah smoke poses equal or greater danger than secondhand cigarette smoke.^{viii}

E-cigarettes

Studies have found that e-cigarette use increases the risk of youth and young adults using cigarettes.^{ix x xi}



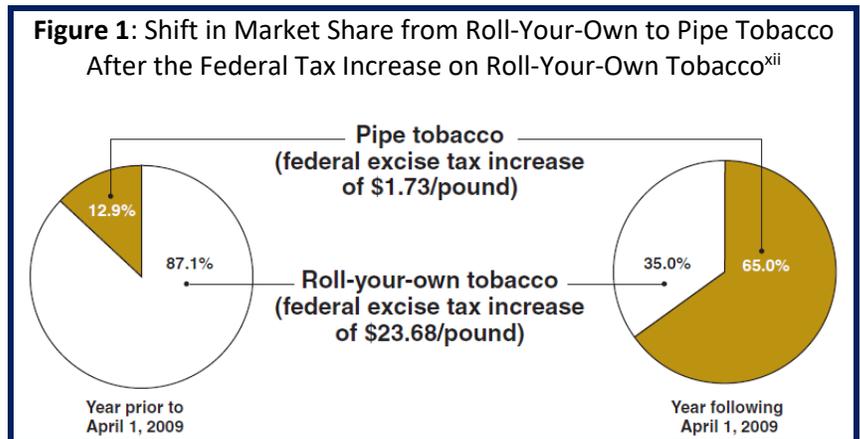
By increasing taxes on all tobacco products, states can save lives, reduce health care costs, and generate much needed revenue.

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).^{xiii}
- 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



Recent research shows cigarette taxes must increase by a minimum of \$1.00 per pack to have a meaningful public health impact. To maximize revenue, states should establish tax parity between cigarettes and OTP to ensure that states do not lose revenues from people switching from cigarettes to lower-taxed tobacco products, a type of switching which has been common in recent years.

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 American Cancer Society. *Cancer Facts & Figures 2018*. Atlanta, GA: American Cancer Society, 2018.

^{iv} Centers for Disease Control and Prevention. *Smokeless Tobacco Use in the United States*. Updated July 25, 2016. Available at https://www.cdc.gov/tobacco/data_statistics/fact_sheets/smokeless/use_us/index.htm

^v Centers for Disease Control and Prevention. *Smoking & Tobacco Use: Hookahs*. Updated December 1, 2016. https://www.cdc.gov/tobacco/data_statistics/fact_sheets/tobacco_industry/hookahs/index.htm

^{vi} American Cancer Society, 2014.

^{vii} U.S. Department of Health and Human Services. *E-Cigarette Use Among Youth and Young Adults: 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, 2016.

^{viii} Barnett TE, Curbow BA, Soule EK, et al. "Carbon Monoxide Levels Among Patrons of Hookah Cafes." *American Journal of Preventative Medicine* 2011; 40(3): 324-328.

^{ix} U.S. Department of Health and Human Services. *E-Cigarette Use Among Youth and Young Adults: 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, 2016.

^x National Academies of Sciences, Engineering, and Medicine. 2018. *Public health consequences of e-cigarettes*. Washington, DC: The National Academies Press.

^{xi} Berry KM, Fetterman JL, Benjamin EJ, et al. Association of Electronic Cigarette Use With Subsequent Initiation of Tobacco Cigarettes in US Youths. *JAMA Netw Open*. 2019;2(2):e187794.

^{xii} 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>

^{xiii} 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>.