

Significant Cigarette Tax Increases Generate New Revenue

Significant tobacco tax increases are one of the most effective ways to prevent kids from starting to use tobacco and help adults quit.^{i,ii} Substantial increases in cigarette tax rates also generate new revenue. In fact, every state that has significantly increased its cigarette tax has also boosted its state revenue - even after accounting for revenue loss due to beneficial declines in cigarette purchases resulting from the tax increase. For example, Minnesota cigarette sales dropped by almost a quarter as a result of a new excise tax, and among Minnesotans who quit smoking, about two-thirds reported that the increase in price helped them make a quit attempt or quit completely, all while increasing state tax revenue by over \$204 million the first year.

State Revenue Gains from Twelve Years of Significant Cigarette Excise Tax Increases

The following states and the District of Columbia increased their cigarette tax by at least \$1.00 per pack over the twelve-year period of 2009 - 2021. The table below shows revenue increase in the first twelve months following the tax increase, as compared to the 12 months prior to the tax increase.^{iii,iv}

State	Effective Date	Tax Increase (per pack)	New State Tax Rate (per pack)	Revenue Increase	Gross New Revenues (millions)
California	4/01/2017	\$2.00	\$2.87	+138%	\$1,074.6
Colorado	1/01/2021	\$1.10	\$1.94	+21%	\$36.7
District of Columbia	10/01/2018	\$2.00	\$4.50	+21%	\$4.5
Florida	7/01/2009	\$1.00	\$1.339	+193%	\$828.8
Illinois	7/01/2019	\$1.00	\$2.98	+9%	\$68.5
Maryland	3/14/2021	\$1.75	\$3.75	+43%	\$133.4
Massachusetts	7/31/2013	\$1.00	\$3.51	+16%	\$86.2
Minnesota	7/01/2013	\$1.60	\$2.83	+56%	\$204.1
Nevada	7/01/2015	\$1.00	\$1.80	+52%	\$54.6
New York	7/01/2010	\$1.60	\$4.35	+19%	\$244.6
Oklahoma	7/01/2018	\$1.00	\$2.03	+47%	\$109.9
Oregon	1/01/2021	\$2.00	\$3.33	+101%	\$181.8
Pennsylvania	8/01/2016	\$1.00	\$2.60	+31%	\$314.3
Rhode Island	4/10/2009	\$1.00	\$4.25	+15%	\$17.8
Utah	7/01/2010	\$1.005	\$1.70	+85%	\$47.0
Washington	5/01/2010	\$1.00	\$3.025	+17%	\$62.0

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ⁱ U.S. National Cancer Institute and World Health Organization. The Economics of Tobacco and Tobacco Control. National Cancer Institute Tobacco Control Monograph 21. NIH Publication No. 16-CA-8029A. Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization; 2016.

ⁱⁱ HHS, 2014.

ⁱⁱⁱ State: Orzechowski & Walker, Tax Burden on Tobacco monthly data of gross tax revenues. National: U.S. Alcohol and Tobacco Tax and Trade Bureau. Consumption declines and revenue increases are for the 12 months before and after the tax increase, using monthly data because some tax rate increases are implemented in the middle of the fiscal year. Only gross tax revenues are available on a monthly basis, therefore to be consistent, the chart above reflects gross tax revenues for all tax increases. Nationwide consumption declines are for the 50 states and DC. Trends for rate increases after July 2009 include the impact of the 61.66-cent federal cigarette tax increase (effective April 1, 2009).

^{iv} State Tobacco Tax Increases: Explanations and Sources For Projections of New Revenues & Benefits, December 22, 2022, retrieved from <https://www.fightcancer.org/policy-resources/state-tobacco-tax-increases-explanations-and-sources-projections-new-revenues>.