

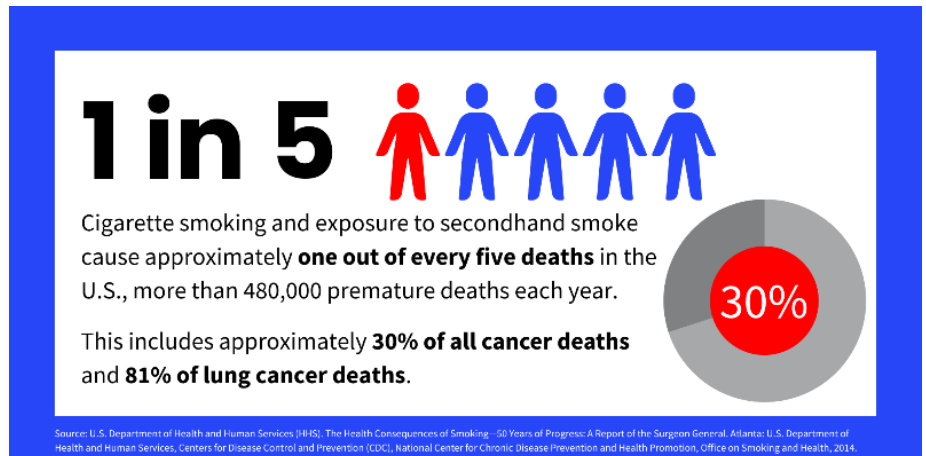
## Tobacco Excise Tax Increases:

### Saves Lives. Reduces Health Care Costs. Generates 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 tobacco products to generate revenue, protect kids, and save lives. Significant tobacco tax increases are one of the most effective ways to prevent kids from starting to use tobacco and help adults quit.<sup>i</sup>

### Health Costs of Tobacco Use

Tobacco is an addictive and deadly product and smoking harms nearly every organ in the body and 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.<sup>ii</sup> This includes approximately 30% of all cancer deaths and 81% of lung cancer deaths.<sup>iii</sup>



The Surgeon General projects that without further action, 5.6 million youth aged 0-17 alive today will die prematurely from tobacco use.<sup>iv</sup> Despite the proven health risks, current rates of cigarette smoking, and tobacco use remain high. In 2020, 12.5% (30.8 million) of U.S. adults reported using cigarettes and 19% (47.1 million) used some form of tobacco.<sup>v</sup> In 2022, among middle and high school students 24.8% reported ever having used any tobacco product and more than one in 9 U.S. middle and high school students (11.3%) had used a tobacco product during the preceding 30 days.<sup>vi</sup>



### 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, lost wages and lost worker productivity

- Tobacco use is attributed to more than \$240 billion annually in U.S. health care spending and nearly \$185 billion in lost productivity.<sup>vii</sup>
- Estimated total lost earnings among individuals aged 25 to 79 years old in the U.S. due to cancer deaths from cigarettes was \$20.9 billion in 2019, with state specific estimates ranging from \$32.2 million in Wyoming to \$1.6 billion in California.<sup>viii</sup>
- Annual health care expenditures solely from secondhand smoke exposure total \$6.99 billion.<sup>ix</sup>

The average retail price of a pack of cigarettes in the U.S. remains at \$7.19.<sup>x</sup> 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.

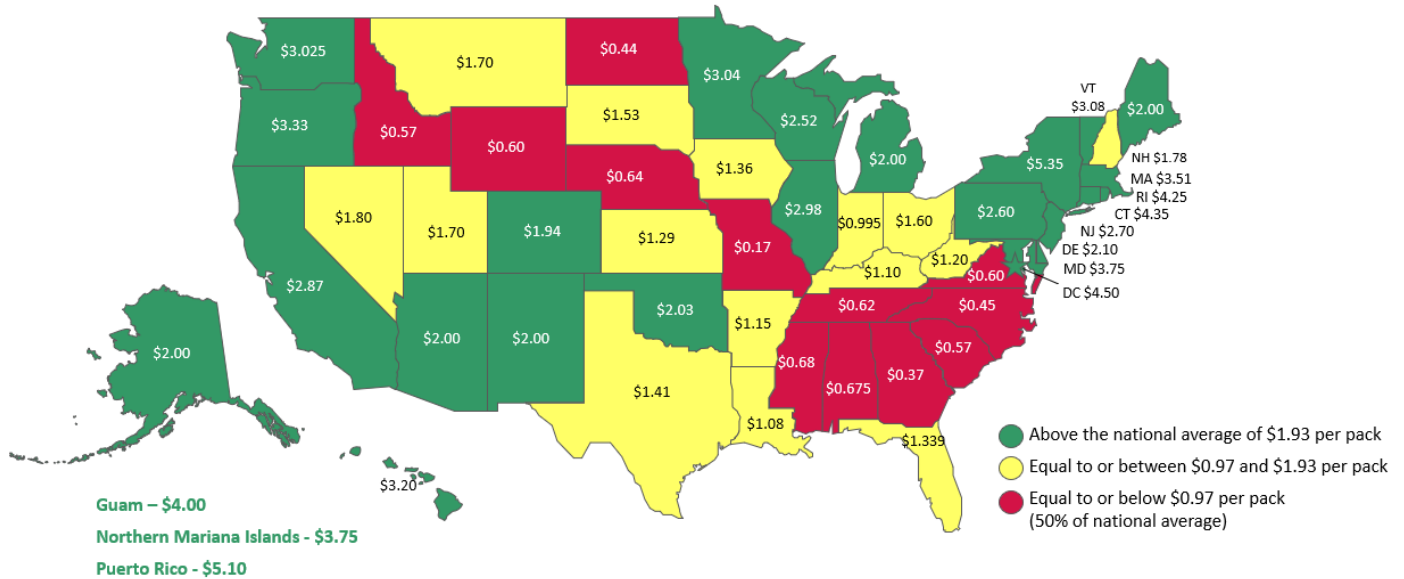
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## Current Cigarette Tax Rates

ACS CAN supports a comprehensive approach to tobacco control that includes significantly increasing excise taxes on all forms of tobacco. As of September 1, 2023, the average state cigarette excise tax is \$1.93 per pack, but state cigarette excise taxes vary significantly, from a low of 17 cents per pack in Missouri to a high of \$5.35 per pack in New York. Additionally, while not considered for the national average, Puerto Rico taxes cigarettes at \$5.10 per pack.

### Cigarette Tax Rates in the United States, District of Columbia & U.S. Territories as of September 1, 2023\*



\*Average calculated for tax rates currently in effect and does not include Puerto Rico or other U.S. territories.

## Significant Tobacco Tax Increases

- Saves 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 people who quit. Adults with limited incomes, youth, and pregnant persons are especially likely to quit or reduce their smoking when the price increases.<sup>xi</sup> In the year after the 2013 cigarette tax increase of \$1.60 in Minnesota, cigarette sales dropped by almost a quarter or nearly 55 million packs.<sup>xii</sup> Among Minnesotans who quit smoking, about two-thirds reported that the increase in price helped them make a quit attempt or quit completely.<sup>xiv</sup>
- Reduces Health Care Costs:** Lower smoking rates translate into fewer smoking-related cancers and other diseases, premature deaths, reduced spending on smoking-related health problems, and more productive workers.
- Generates Revenue:** Significant increases in cigarette tax rates generate substantial increases in new revenue.<sup>xiii</sup> For example, in the year following Oklahoma’s \$1.00 per pack cigarette tax increase in 2018, net state tax revenues increased by over \$104 million, a 44.75% increase in revenue.<sup>xiv</sup> Meanwhile their neighboring states all experienced cigarette tax revenue declines despite all having lower state cigarette tax rates than Oklahoma.

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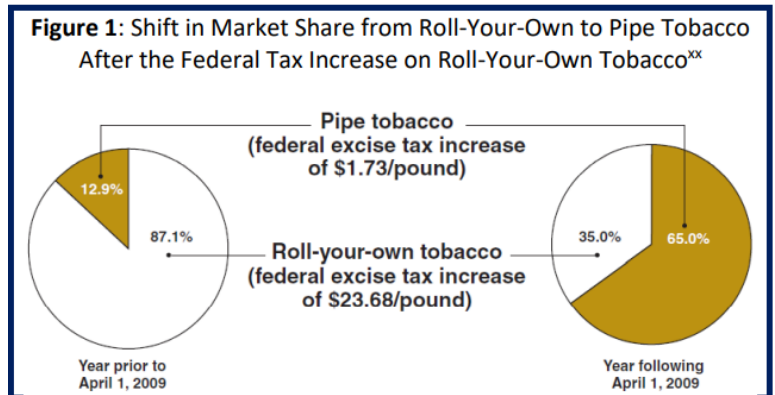
## Maximizing the Health and Economic Benefits of a Tobacco Tax Increase

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% cigarette price increase, if maintained against inflation, reduces youth smoking rates by 6.5% or more, young adult (18-24 years old) smoking rates by about 3.25%, adult smoking rates by 2%, and total consumption by 4%.<sup>xv,xvi,xvii,xviii</sup> When tax increases are small, tobacco companies can adjust prices or offer coupons or discounts to reduce the impact. Tobacco companies spent over \$9.1 billion in 2020 marketing products nationwide including \$7 billion on coupons and promotions that reduced the prices consumers paid for cigarettes<sup>xix</sup>

## Tax Increases Should Apply to All Tobacco Products

Unless tax rates are consistent across tobacco products the lesser cost products become cheaper alternatives which cause people to switch products rather than stop using tobacco products. 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 people who use tobacco quit instead of switching to a cheaper product. 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).<sup>xx</sup>

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. Uneven application of tobacco taxes is a lose-lose for the government, because people who switch tobacco products pay lower taxes but continue to have costly health problems that cost state and federal governments additional dollars.



## 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 all other tobacco products, including e-cigarettes, to produce a meaningful reduction in tobacco consumption and tobacco-related disease and death.
- There should be tax parity for all tobacco products, including e-cigarettes, pipe tobacco, cigars, snus, hookah 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 well-funded fact-based tobacco prevention and cessation programs.

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- <sup>iii</sup> American Cancer Society. Cancer Facts & Figures 2022. Atlanta: American Cancer Society; 2022
- <sup>iv</sup> HHS, 2014
- <sup>v</sup> Cornelius ME, Loretan CG, Wang TW, Jamal A, Homa DM. Tobacco Product Use Among Adults — United States, 2020. MMWR Morb Mortal Wkly Rep 2022;71:397–405. DOI: <http://dx.doi.org/10.15585/mmwr.mm7111a1>
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- <sup>viii</sup> Islami, F, Marlow, EC, Zhao, J, et al. Person-years of life lost and lost earnings from cigarette smoking-attributable cancer deaths, United States, 2019. Int J Cancer. 2022; 1- 12. doi:10.1002/ijc.34217.
- <sup>ix</sup> Health care costs updated to 2009 dollars, based on data in Behan, DF, et al., Economic Effects of Environmental Tobacco Smoke, Society of Actuaries, March 31, 2005, <https://www.soa.org/Research/Research-Projects/Life-Insurance/research-economic-effect.aspx>.
- <sup>x</sup> Orzechowski & Walker, The Tax Burden on Tobacco, 2019, and adjustments for industry price promotions, price increases, cigarette tax increases, and inflation.
- <sup>xi</sup> HHS, 2014.
- <sup>xii</sup> Mattson, LR, Chaloupka, FJ, & Boyle, R, Get the Facts: Minnesota’s 2013 Tobacco Tax Increase is Improving Health, February 10, 2015, retrieved from <https://tobacconomics.org/research/get-the-facts-minnesotas-2013-tobacco-tax-increase-is-improving-health/>.
- <sup>xiii</sup> Campaign for Tobacco-Free Kids. Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking) Fact Sheet. Updated January 19, 2021 Available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.
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- <sup>xv</sup> 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/>.
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