



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.

Tobacco Products are Cheap, but the Health Costs are High

Tobacco is an addictive and deadly product. Cigarette smoking and exposure to secondhand smoke cause:

- More than 480,000 premature deaths each year, approximately one out of every five deaths.^{1,2}
- At least 30 percent of all cancer deaths³ and 87 percent of all lung cancer deaths.^{4,5}

The Surgeon General projects that, without further action, 5.6 million youth age 0-17 alive today will die prematurely from tobacco use.⁶

Despite proven health risks, current rates of cigarette smoking and tobacco use remain high.

- 18.1 percent of U.S. adults, approximately 42.1 million people, smoke cigarettes⁷ and 21.3 percent use some form of tobacco.⁸
- 15.7 percent of high school students smoke cigarettes and 22.4 percent use some form of tobacco.⁹

The low price of tobacco products makes it easy for youth to afford to start and continue smoking, and current taxes do little to defray the societal cost smoking has on the U.S. economy.

- Smoking costs the U.S. economy at least \$133 billion in direct medical costs and more than \$156 billion in lost productivity.¹⁰
- The average price of a pack of cigarettes, including excise taxes, was just \$5.76 in 2013.¹¹
- The average state cigarette tax is \$1.54 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.

Substantial increases in cigarette tax rates generate new revenue.¹² Revenue increases from higher cigarette taxes substantially outweigh any decline in revenue due to fewer cigarettes being sold.

Significantly Increasing Taxes on Tobacco Reduces Tobacco Consumption

Regular, significant increases in the retail price of cigarettes reduce the number of people who begin smoking and increase the number of smokers who quit.

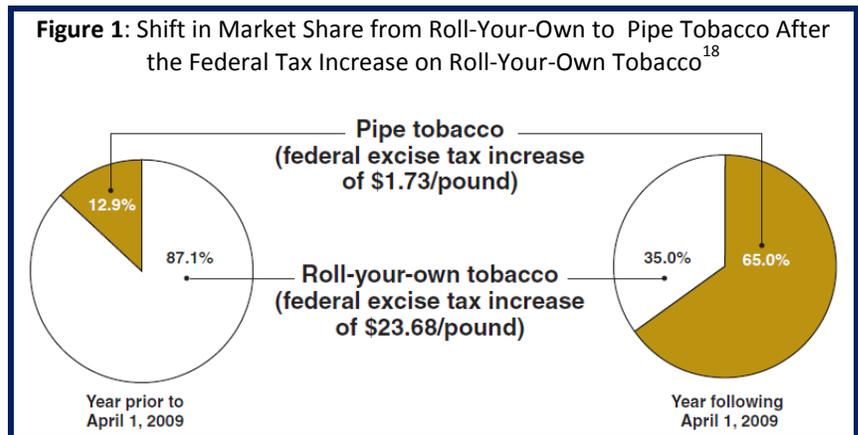
- For every 10 percent increase in the price of cigarettes, there is a 4 percent reduction in overall cigarette consumption¹³ and a 6.5 percent reduction in youth consumption.¹⁴
- Low-income adults, youth, and pregnant women are especially likely to quit or reduce their smoking when the price increases.^{15,16}
- Lower smoking rates translate into fewer smoking-related cancers and premature deaths, reduced spending on smoking-related health problems, and more productive workers.
- When tax increases are small, tobacco companies can adjust prices or offer coupons or discounts to reduce the impact.
- Tobacco companies spent nearly \$7 billion in 2011, 84% of their cigarette marketing budgets, on coupons and promotions that reduced the prices consumers paid for cigarettes.¹⁷

Goal: Tax Parity for 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. This tax parity helps reduce tax evasion, generated more new revenue, and ensured 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).¹⁹
- 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 Current Views

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 large enough 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 cessation and prevention programs.

References

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- ² CDC. QuickStats: Number of Deaths from 10 Leading Causes — National Vital Statistics System, United States, 2010. *MMWR* 2013; 62(8): 155.
- ³ HHS. *The Health Consequences of Smoking – A Report of the Surgeon General*. Rockville, MD: CDC, 2004.
- ⁴ Doll R, Peto R. *The Causes of Cancer*. New York, NY: Oxford Press; 1981.
- ⁵ American Cancer Society. *Cancer Facts & Figures, 2014*. Atlanta, GA: American Cancer Society, 2014.
- ⁶ HHS, 2014.
- ⁷ CDC. Current Cigarette Smoking Among Adults—United States, 2005–2012. *MMWR* 2014; 63(02):29–34.
- ⁸ CDC. Tobacco Product Use Among Adults – United States, 2012–2013. *MMWR* 2014; 63(25): 542–547.

⁹ CDC. Youth Risk Behavior Surveillance – United States, 2013. Youth Online: High School YRBS. Available at <http://nccd.cdc.gov/youthonline/App/Default.aspx?SID=HS>. Accessed October 22, 2014.

¹⁰ HHS, 2014.

¹¹ Orzechowski W, Walker RC. *The Tax Burden on Tobacco, Historical Compilation*, Volume 48. Arlington, VA: Orzechowski and Walker; 2013.

¹² Campaign for Tobacco-Free Kids. Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking) Fact Sheet. 2013. Available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>. Accessed June 3, 2013.

¹³ Task Force on Community Preventive Services. Tobacco. In S Zaza, PA Briss, and KW Harris (Eds.), *The Guide to Community Preventive Services: What Works to Promote Health?* (3-79). New York, NY: Oxford University Press, 2005.

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¹⁶ Ringel J, Evans W. Cigarette taxes and smoking during pregnancy. *Am J Public Health*, 91(11):1851-1856, 2001.

¹⁷ Federal Trade Commission. *Cigarette Report for 2011*. Washington: Federal Trade Commission, 2013.

¹⁸ 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>

¹⁹ 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>.