

Why Increase the Tax on Cigarettes and other Tobacco?

Raising It Is As Easy As \$1.23



Current state cigarette tax: 37 cents per pack (49th among all states and DC) – National average is \$1.60

Annual health care expenditures in Georgia directly caused by tobacco use: \$3.18 billion

1. Raise it for Kids

Tobacco tax increases are one of the most effective ways to reduce smoking and other tobacco use, especially among kids. According to the Campaign for Tobacco Free Kids and the American Cancer Society Cancer Action Network (ACS CAN) raising the cigarette tax would prevent 76,100 kids from picking up the habit. For every 10 percent increase in cigarette prices youth smoking rates are reduced by about five to seven percent and overall cigarette consumption by three to four percent.

2. Raise it for Health Care: Public Health Impact of \$1.23 Tax Increase

- 5-year reduction in the number of smoking-affected pregnancies and births: 9,300
- 5-year health care cost savings from fewer smoking-caused lung cancer cases: \$12.37 million
- 5-year health care cost savings from fewer smoking-caused heart attacks and strokes: \$28.81 million
- 5-year Medicaid program savings for the state: \$8.69 million
- Long-term health care cost savings from adult and youth smoking declines: \$3.01 billion

3. Raise it for Georgia Communities

With Georgia rural hospitals in peril, with more than 400,000 of Georgia's working poor falling in the health care coverage gap, and the need to improve our roads, bridges, and infrastructure, increasing the tax on tobacco products would be a reliable and consistent stream of new revenue. A tobacco tax increase of \$1.23 would generate at least an estimated increase of between \$461 and \$585 million in new revenue per year for Georgia, even after accounting for consumption declines that would result from the increased price.¹ Notably, Georgia's current cigarette tax of 37 cents generates nearly \$200 million per year in revenue for Georgia, or about \$5 million per penny of tax.

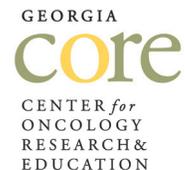
What Opponents Will Say

Myth: *Tobacco tax increases will promote cigarette smuggling, black markets, and smoker tax avoidance, which will eliminate state revenue gains.*

Fact: Every single state that has raised its cigarette tax rate has subsequently received more tax revenue than they would have received without a rate increase, despite the fact that cigarette tax increases reduce overall smoking rates, and despite any related increases in cigarette smuggling, tax evasion, or cross-border sales. That is, the increased tax per pack brings in more new state revenue than is lost from the related reductions in the number of packs sold and taxed in the state. Moreover, the substantially higher revenue levels enjoyed by those states that significantly increase their cigarette tax rates persist over time (while the cost savings from the related smoking declines grow rapidly).

Myth: *This is a regressive tax that disproportionately impacts the poor.*

1. Fiscal note, Georgia Department of Audits and Accounts, 2015.



Fact: Actually, it is just the opposite. It is the harms from smoking that are regressive. Lower-income communities already suffer disproportionately from smoking-caused disease, disability, death, and costs. By prompting more lower-income smokers to quit and cut back, raising state cigarette tax rates will reduce those regressive harms and costs, directly helping lower-income smokers and also reducing smoking-caused costs and harms to their families.

Myth: Tobacco taxes are an unreliable source of funds for the State.

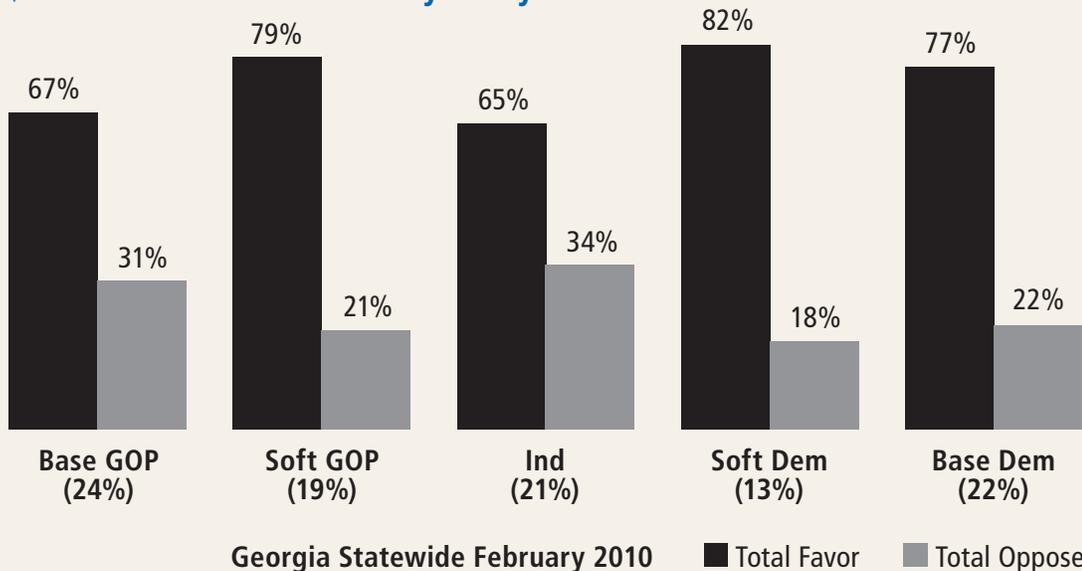
Fact: Year to year, state tobacco tax revenues are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can vary considerably each year because of nationwide recessions or state economic slowdowns. In sharp contrast, large drops in tobacco tax revenue from one year to the next are quite rare because of the addictive power of cigarettes. Moreover, the smoking-reduction revenue declines will occur at a gradual, predictable rate (as related savings grow), making related state budgeting quite easy.

The Public Supports an Increase in the Tax

In recent years, the polling of likely Georgia voters has indicated the following:

- **Strong Public Support:** 73% of all respondents would support a measure to increase the tax on cigarettes by at least \$1 per pack.
- **Bipartisanship:** 70% of Republicans and 77% of Democrats support at least a \$1 per pack increase to the cigarette tax.

\$1 Per Pack Tax Increase by Party



Explanations & Notes

Health care costs listed at the top of the page are from the U.S. Centers for Disease Control and Prevention (CDC). Annual health care expenditures in Georgia directly caused by tobacco use are in 2009 dollars and are from the CDC's 2014 *Best Practices from Comprehensive Tobacco Control Programs*.

Additional information and resources to support tax increases are available online at tobaccofreekids.org/facts_issues/fact_sheets/policies/tax/us_state_local and acscan.org/tobacco/taxes.

For more sources and calculations, visit tobaccofreekids.org/research/factsheets/pdf/0281.pdf and acscan.org/content/wp-content/uploads/2014/02/Explanations-and-Resources-for-Projections-TFK-ACS-CAN.pdf.

