



Higher Prices for Better Health Raising Tobacco Excise Taxes

OVERVIEW

Cigarette smoking remains a leading cause of preventable disease and death in the U.S., claiming approximately 480,000 lives prematurely every year.^{1,2} In the last 50 years, 20 million Americans have died prematurely due to tobacco-caused illnesses.³ Smoking not only takes the lives of those who use tobacco, but also those who are exposed to second-hand smoke. The bottom line is that no tobacco product is safe to use.

Tobacco use costs the U.S. economy more than \$300 billion annually, including workplace productivity losses of \$150 billion, and direct medical expenditures of \$170 billion.^{4,5} Tobacco control efforts have helped prevent an estimated 8 million premature deaths since the 1960s, while also reducing smoking rates by half since the early 2000s.⁶ During 2000-2015, the number of adults who tried to quit in the previous year moderately increased from 49% to 55%.^{7,8}

However, tobacco use remains a significant public health problem, particularly among disadvantaged populations. A higher percentage of adults below the poverty line smoke compared to those who do not live in poverty.⁹ Fewer Asians smoke than other racial groups, and those who are either on Medicaid or are uninsured have higher rates of tobacco use than those with private insurance.⁹

A significant increase in tobacco excise taxes reduces tobacco use, saves lives, raises revenue for states and communities, and lowers health care costs.¹⁰ The taxes are a political win because polling consistently shows they are popular with voters.

TAXES FOR HEALTHIER BEHAVIORS AND OUTCOMES

Increases in cigarette prices lead to substantial reductions in cigarette smoking for both youth and adults.¹¹ The Congressional Budget Office concluded that a 10% increase in the price of a pack of cigarettes would reduce youth smoking by 5-15%, and adult smoking by 3-7%.¹¹

CURRENT TAX INFORMATION

The last federal cigarette tax increase of 61.66 cents per pack went into effect in 2009. Today, the rate remains the same, making federal tax on a pack of cigarettes \$1.01 per pack; state rates vary (Figure 1).¹² Past efforts to increase the tax further were unsuccessful.¹³ Additionally:

- States have concurrently imposed tobacco excise taxes with a nationwide average of \$1.79 per pack.¹⁴ This is an increase from an average of 44.4 cents in 2002.¹⁵
- Major cities have also added substantial local taxes (Philadelphia (\$2.00); New York City (\$1.50) and Chicago (\$1.18)).¹²

TOBACCO INDUSTRY RESPONSE

Industry reports shows that tobacco companies understand the impact of tax increases on consumption. In response, they mount aggressive opposition campaigns when states or communities propose an increase to their tax. In addition, they have developed pricing strategies in the development of lower cost generic brands and price-related marketing efforts like multi-pack discounts and couponing. The latter is an attempt to offset the impact of the taxes and diminish the benefit to public health. The tobacco control movement must continue to adapt to these industry tactics to maintain the health impact and value of tobacco tax strategies.

ASSOCIATION ADVOCATES

The American Heart Association advocates for significant increases in tobacco excise taxes at the federal, state, county and municipal levels. The AHA advocates for significant tobacco tax increases of \$1 or more at the state level. Tobacco excise taxes should be highest for combustible products while FDA-approved modified risk products (when they achieve approval) would be taxed at a lower rate, and tobacco cessation aids should not be taxed at all. E-cigarettes and smokeless tobacco, as long as they are not regulated by FDA as modified risk products, should be taxed at the same rate as other tobacco products. As the AHA works towards an end to tobacco and nicotine addiction, it is imperative that tobacco tax revenue be dedicated to programs and services that help people quit and keep kids from ever starting.

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- ⁴ Xu Y et al. (2014). [Annual Healthcare Spending Attributable to Cigarette Smoking: An Update](#). *American Journal of Preventive Medicine*;48(3):326-33
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- ⁷ Centers for Disease Control and Prevention. (2017). *Quitting Smoking Among Adults – United States, 2000-2015*. *Morbidity and Mortality Weekly Report (MMWR)*, 66(52):1457-1464. Available at: https://www.cdc.gov/mmwr/volumes/66/wr/mm6652a1.htm#F1_down. Accessed on February 7, 2018.
- ⁸ Centers for Disease Control and Prevention. (2015). *Current Cigarette Smoking Among U.S. Adults Aged 18 Years and Older*. Available at: <https://www.cdc.gov/tobacco/campaign/tips/resources/data/cigarette-smoking-in-united-states.html>. Accessed on February 7, 2018.
- ⁹ Jamal A, et al. 2018. [Current Cigarette Smoking Among Adults—United States, 2016](#). *Morbidity and Mortality Weekly Report*; 67:53-59. DOI: <https://www.cdc.gov/mmwr/volumes/67/wr/mm6702a1.htm>. Accessed on February 4, 2018.
- ¹⁰ World Health Organization. *Raising tax on tobacco*. Accessed online March 3, 2019 at https://apps.who.int/iris/bitstream/handle/10665/112841/WHO_NMH_PND_14.2_eng.pdf;jsessionid=91B8B6AF7E9E98B45D000573E61D8C53?sequence=1.
- ¹¹ Congressional Budget Office. 2012. *Raising the Excise Tax on Cigarettes: Effects on Health and the Federal Budget*. Retrieved from: http://www.cbo.gov/sites/default/files/cbofiles/attachments/06-13-Smoking_Reduction.pdf. Accessed on February 19, 2018.
- ¹² Cook, C. *How High Are Cigarette Tax Rates in Your State?* (2018). Tax Foundation. Available at: <https://taxfoundation.org/state-cigarette-tax-rates-2018/>. Accessed on February 4, 2018.
- ¹³ Cigarette Taxes (2016) <http://www.tobaccotoday.info/2014/04/15/obama-2015-budget-repeats-proposal-for-federal-cigarette-and-otp-tax-rate-increases/> Accessed on March 23, 2016.
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