



## BENEFITS FROM RAISING THE CIGARETTE TAX IN NINE SOUTHERN STATES TO MEET THE NATIONWIDE STATE AVERAGE

State	Tax increase to meet the nationwide state average of 111.2 cents per pack	Health Benefits To Each State From Proposed Increase				
		Kids alive today saved from becoming regular adult smokers	Kids alive today saved from premature smoking-caused death	Adult smokers saved from premature smoking-caused death	Current adult smokers who would quit	Long-term health care savings from adult & youth smoking declines
Alabama	68.7¢	63,500	20,300	5,700	21,800	\$1.3 billion
Georgia	74.2¢	72,800	23,200	10,600	40,100	\$1.6 billion
Kentucky	81.2¢	50,700	16,200	8,400	32,000	\$1.1 billion
Mississippi	93.2¢	38,800	12,400	5,900	22,400	\$891.8 million
N. Carolina	76.2¢	86,900	27,800	13,000	49,200	\$1.9 billion
S. Carolina	104.2¢	67,000	21,400	9,300	35,200	\$1.5 billion
Tennessee	49.2¢	34,600	11,000	5,300	20,100	\$796.5 million
Virginia	81.2¢	68,600	21,900	9,900	37,500	\$1.5 billion
W. Virginia	56.2¢	14,200	4,500	2,200	8,500	\$329.3 million

**Added Benefit: Fighting Crime.** Because of their very low cigarette tax rates, some of the southern states serve as major suppliers for illegal internet sellers and interstate cigarette smugglers that help retailers and smokers in high-tax states evade their own state's cigarette taxes. By raising their cigarette tax rates to the nationwide average, these southern states would not only gain enormous public health benefits and substantial new state revenues (well in excess of any state revenues they currently receive from sales to illegal internet sellers and smugglers) but would also dramatically reduce the supply of low-tax, low-cost cigarettes available to those illegal internet sellers and cigarette smugglers. That would be a big help to the higher-tax states that are currently losing revenue to tobacco tax evasion and cigarette smuggling, and would cause big problems for a number of criminal organizations and other lawbreakers.

**Notes:** These projections provide careful estimates of the public health benefits the state would obtain from the cigarette tax increase above and beyond what it would get if it does not raise the tax. These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and tax revenues) from new tax avoidance efforts after the tax increase by continuing in-state smokers and from fewer sales to smokers from other states or to informal or small-scale smugglers. The projections are also based on research findings that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4%, and assume that the state tax will keep up with inflation. Nevertheless, cigarette tax increases both reduce smoking levels and increase state revenues because the increased tax per pack brings in more new revenue than is lost from the decrease in the number of packs sold. Kids stopped from smoking and dying are from all kids alive today. These projections assume that the state will follow standard practice and apply the cigarette tax increase to all previously tax-stamped or otherwise tax-paid cigarettes held in inventory by wholesalers or retailers on the effective date of the increase. Failing to tax such cigarettes held in inventory would open the door to massive pre-increase stockpiling by retailers and wholesalers to evade the increase, drastically reducing the amount of new state revenues. Long-term savings accrue over lifetimes of persons who stop smoking or never smoke because of tax increase.

**Campaign for Tobacco-Free Kids, November 27, 2007 / Ann Boonn**

**Sources:** Farelly, M, et al., *Impact of Cigarette Excise Tax Increases in Low-Tax Southern States on Cigarette Sales, Cigarette Excise Tax Revenue, Tax Evasion, and Economic Activity*, RTI International, September 2003, [http://www.rti.org/pubs/8742\\_Southern\\_Neighbors\\_FR\\_9-18-03.pdf](http://www.rti.org/pubs/8742_Southern_Neighbors_FR_9-18-03.pdf). Chaloupka, F., "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://tigger.uic.edu/~fjc> and <http://www.impactteen.org/>. Orzechowski & Walker, *Tax Burden on Tobacco*, 2006. USDA Economic Research Service, <http://www.ers.usda.gov/Briefing/tobacco>. State tax offices. Farelly, M, et al., "Cigarette Smuggling Revisited," U.S. Centers for Disease Control & Prevention (CDC), in press. CDC, *Sustaining State Programs for Tobacco Control: Data Highlights 2006*. Miller, P, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1):25-35, February 2001. Lightwood, J & Glantz, S., "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4):1089-1096, August 19, 1997, <http://circ.ahajournals.org/cgi/content/full/96/4/1089>. Hodgsen, T., "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. U.S. Census. National Center for Health Statistics. For more information, see TFK Factsheets – including *Raising State Tobacco Taxes Always Reduces Tobacco Use (& Always Increases State Revenues)* – at <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18> & <http://tobaccofreekids.org/reports/prices>.