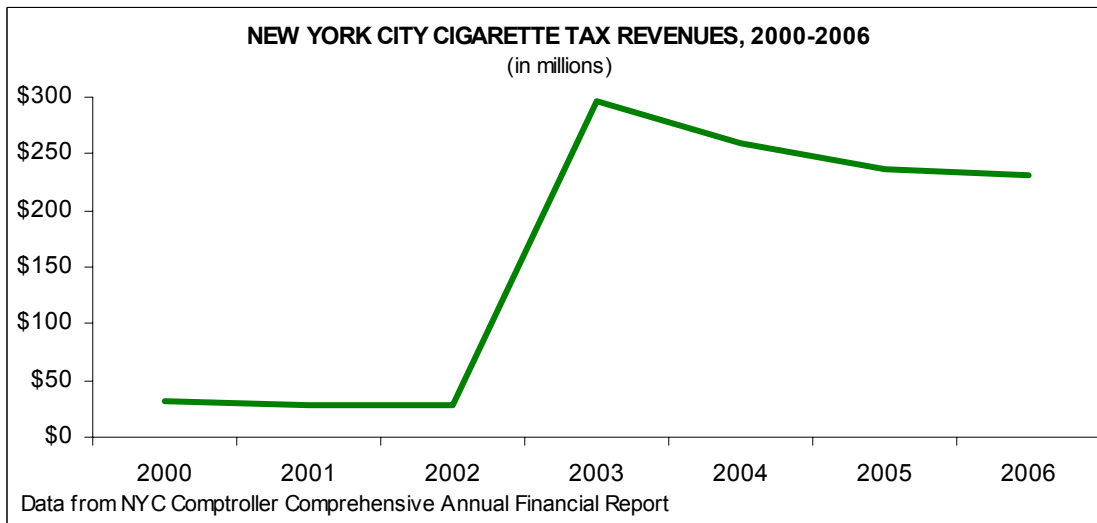




## NEW REVENUES FROM A \$1.42 PER PACK CIGARETTE TAX INCREASE – THE NEW YORK CITY EXPERIENCE –

On July 2, 2002, New York City increased its local cigarette tax rate from 8 cents per pack to \$1.50 per pack (added on top of the state's \$1.50 per pack tax). That is still the largest one-time cigarette tax increase ever in the United States – and it brought the combined state-local tax in New York City to \$3.00 per pack, then the highest cigarette tax anywhere in the country.<sup>1</sup> But just like any other significant state or local cigarette tax increase, the \$1.42 per pack New York City increase immediately brought in substantial new revenues despite sharp declines in smoking rates and taxed pack sales. Since then, revenues from the New York City cigarette tax increase have declined somewhat – largely because of the City's aggressive efforts to reduce smoking – but revenues still remain more than eight times higher than they were before the increase.



In the year following the \$1.42 cigarette tax increase, despite a record-breaking 11 percent decline in adult smoking rates and a taxed pack sales decline by almost 88 percent, revenues increased by more than 975 percent (a \$268 million increase). Although relatively modest, the subsequent declines in New York City's taxed pack sales and revenues after the cigarette tax increase have been larger than those in most other jurisdictions, primarily due to the City's continuing exemplary efforts to reduce smoking, including a strong smoke-free law that went into effect on March 30, 2003, comprehensive resources to help smokers quit, and an effective anti-smoking media campaign. From just 2003 to 2004, for example, the number of adult smokers declined by another four percent.<sup>2</sup>

While some of the taxed pack sales declines since 2002 come from increased smoker tax evasion and cigarette smuggling after the \$1.42 cigarette tax increase, those factors have not stopped New York City from obtaining enormous amounts of net, new revenue. Moreover, a range of measures are readily available to the City to recapture any reduced revenue gains caused by such tax evasion or smuggling.<sup>3</sup>

*Campaign for Tobacco-Free Kids/ Ann Boonn & Eric Lindblom, May 9, 2007*

**For more information on cigarette taxes and the many benefits of increasing them, see:**  
<http://www.tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>.

<sup>1</sup> Since then, several jurisdictions have instituted even higher state-local tax rates, including Anchorage, Alaska (\$3.30 per pack) and Chicago (\$3.66 per pack). See TFK Factsheet, *Top Combined State-Local Cigarette Tax Rates (State plus County plus City)*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0267.pdf>.

<sup>2</sup> New York City Department of Health and Mental Hygiene, Press Release, June 9, 2005, <http://www.nyc.gov/html/doh/html/pr/pr062-05.shtml>.

<sup>3</sup> See TFK Factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <http://tobaccofreekids.org/research/factsheets/pdf/0274.pdf>.