From: Thomas Kavet [mailto:tek@kavet.net]
Sent: Thursday, March 06, 2014 11:41 PM
To: Sara Teachout
Cc: Nolan Langweil; Steve Klein
Subject: FY15 Cigarette Tax Revenue Loss from 18 to 21 Year Old Minimum Legal Purchase Age

Sara,

Although there is scant empirical data on the revenue impacts of changing the minimum legal age for purchasing and possessing cigarettes, my best estimate for FY15 is that a change from 18 to 21 years old would result in a loss of about $2.3M. While 18-20 year olds would otherwise purchase cigarettes in FY15 resulting in about $4.8M in State cigarette tax revenue (an amount which represents the maximum revenue exposure to this change), based on current illegal purchases by the16-17 year old cohort, I would expect noncompliance to be slightly more than 50%. If noncompliance is even greater, which I consider to be more likely than the opposite, the losses, of course, could be lower. I have only factored in about $50,000 in additional revenues from fines and penalties – which could also be higher if enforcement is aggressive – also reducing the net revenue loss. For a number of reasons (reduced smoking prevalence, the aging of current 18-20 year old smokers, reduced total revenues, etc.), the revenue reductions from this change in the years beyond FY15 would be progressively lower.

Please give me a call if you or others would like any further information in connection with this estimate.

With Best Regards,

Tom