

Significant Tobacco Tax Increases: Health & Economic Benefits

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Current legislative proposals

- House Ways and Means: \$0.33 per pack from \$2.75 to \$3.08 per pack.
- Sen. Mullin's proposal: \$1.00 per pack, from \$2.75 per pack to \$3.75 per pack
- The Coalition supports at least an increase of 10% in the total pack price as this percentage has been proven to have a public health benefit.
- Sen. Mullin's proposal would meet this level.



We Support

- The Coalition is advocating for a \$1.25 increase per pack increase and equivalents for new smokeless, snuff and other tobacco products.
- The greater the increase, the greater the health benefit.
- We would support Sen. Mullin's proposed \$1 increase.

Economic Benefits of \$1.25

- Save \$96.65million in long-term healthcare costs
- Raise \$7.2 million in new revenue (JFO projection)
- Provide funding for health care



The Toll of Tobacco in Vermont

Human Cost

- 400 kids new daily smokers each year
- 1,000 adults die each year
- 10,000 kids will die prematurely

Financial Cost (Annual)

- \$348 million in health care costs
- \$72 million of which from Medicaid
- \$192 million in lost productivity



Smoking Rates

- 13% of all youth smoke compared to:
 - ✓ 20.4% of college-aged youth
 - ✓ 39% high school drop-outs
- 18% of all adults smoke compared to:
 - ✓ 31% of low income adults
 - ✓ 35% of uninsured adults
 - ✓ 38% of adults with a mental illness



Tobacco Taxes and Tobacco Use

- Higher tobacco taxes induce quitting, prevent relapse, reduce consumption and prevent starting.
- Studies have shown that increasing the price of tobacco by at least 10% reduces:
 - adult smoking by 3-5%
 - youth smoking by 7%
 - pregnant women by 5-7%
- \$1.25 increase would result in 2700 adults quitting and 2,400 kids would not become addicted smokers

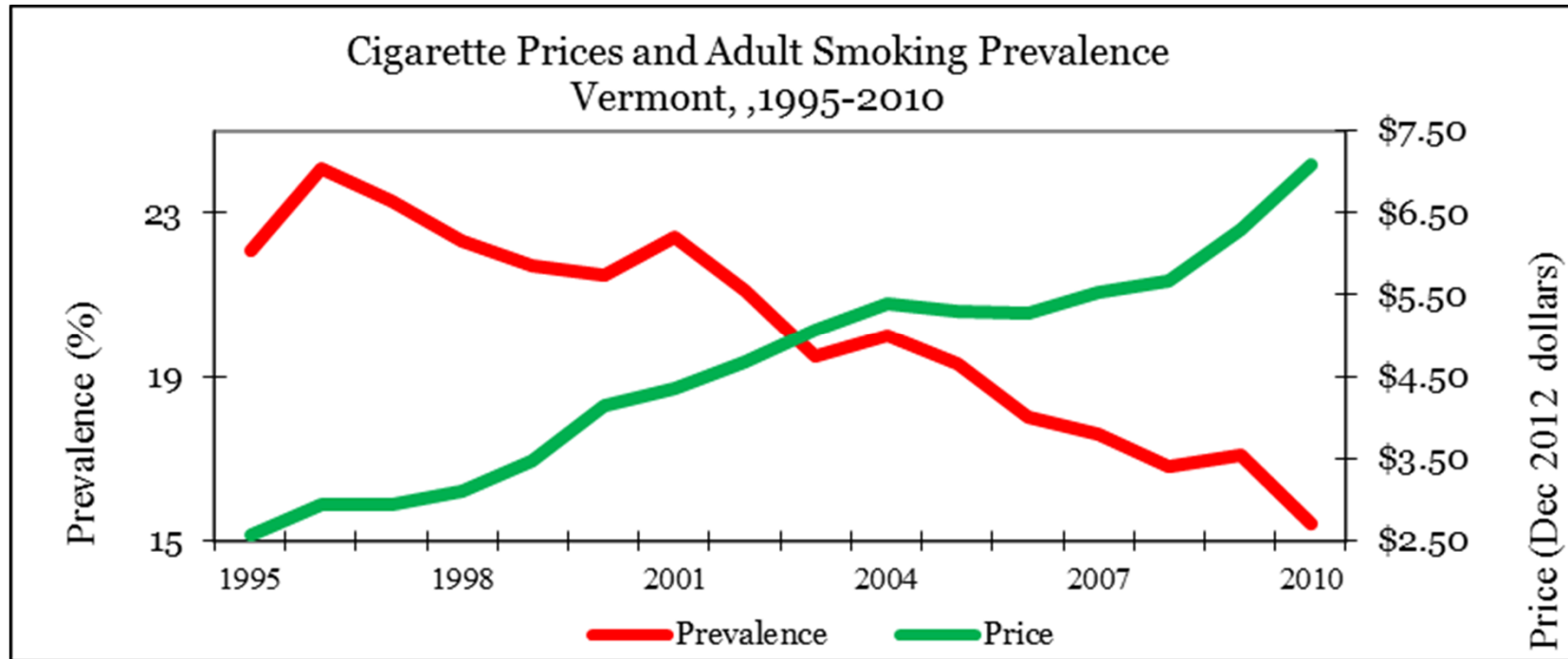


Current Northeast Tax Rates

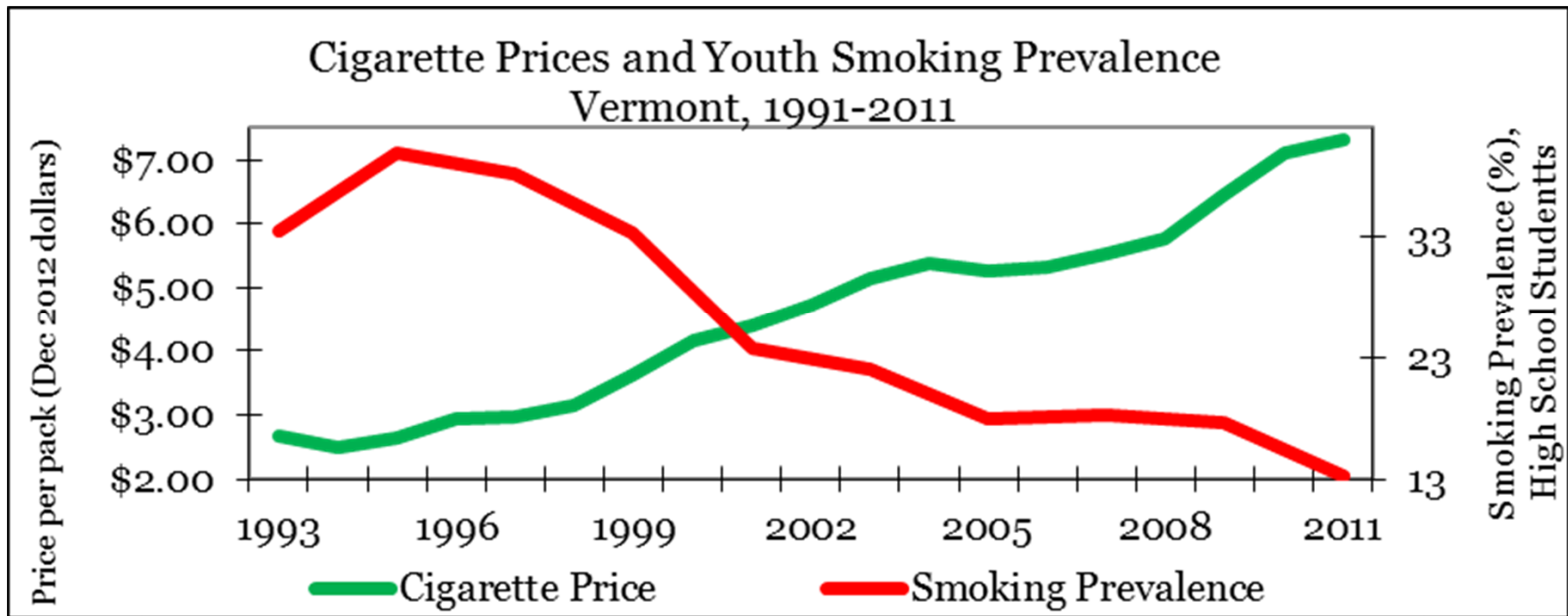
Current Northeast Cigarette Excise Tax, per pack:		
New York	\$ 4.35	(1 st in US)
Rhode Island	\$ 3.50	(3 rd in US)
Connecticut	\$ 3.40	(4 th in US)
Vermont	\$ 2.75	(8 th in US)
Massachusetts	\$ 3.51	(2 nd in US)
Maine	\$ 2.00	(12 th in US)
New Hampshire	\$ 1.78	(18 th in US)
Region average:	\$3.04	



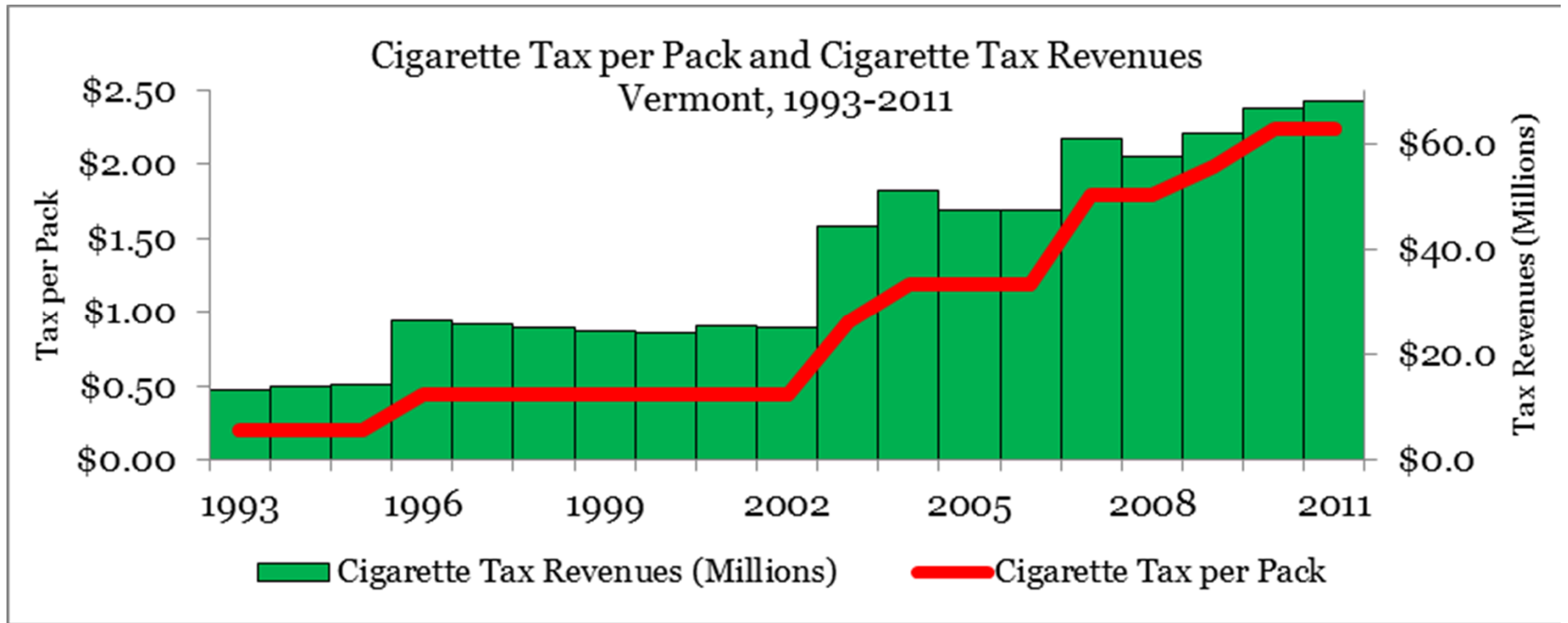
Adult smoking has decreased with higher cigarette taxes



Youth smoking has decreased with higher cigarette taxes



Revenues have increased without tax avoidance



Industry claims that the tax will hurt businesses aren't true

- Money spent on cigarettes in state retail stores didn't disappear when smokers quit but simply shifted to consumer spending on other products.
- State-specific economic impact studies have found that substantial cigarette tax increases in those states would actually increase total state employment



Claims of massive cross-border shopping are clearly exaggerated

- The last time there was a year between a VT tax increase and a NH tax change was Vermont's 2006 increase from \$1.19 to \$1.79 compared to NH's \$0.80 tax.
- The following year:
 - VT cigarette tax revenues rose by \$13.4 million (28.3%)
 - NH tax revenues fell by \$3.4 million (-2.4%).



Regressivity?

Myth: Cigarette tax increases will negatively impact the lowest income populations

- An argument often used by the tobacco industry to weaken attempts to raise tobacco taxes. The reality is that it's the harmful effects of smoking, including heart disease, stroke, emphysema, asthma and cancers that disproportionately affect low-income populations.
- Evidence shows that cigarette price increases have the greatest impact on smoking rates among lowest income and least educated populations.
- **The VT Low-Income Advocacy Council supported a cigarette tax increase in 2002, 2006, 2011 and is now supporting efforts to increase the tax by \$1.**



Low-income populations are more price responsive

- Evidence indicates that smoking in households below median income level are four times more responsive to a significant tobacco tax increase and thus, would have been more likely to end up getting a big tax cut.
- This means that not only will there be short term savings from smoking cessation among this group, but that there will also be longer term savings from reduced future health care expenditures.
- Small, incremental tobacco increases will not encourage quitting but will cause low-income Vermonters to pay more for cigarettes -- causing their health care costs to rise while disposable income decreases. It's a move that only makes tobacco companies healthier.
- Another mitigating factor involves allocating the tobacco tax revenues for health purposes such as cessation and prevention services and making health care affordable.

Implies tax increases may be progressive



The Truth about the Economic Impact of Tobacco Taxation

- Low-income tobacco users bear disproportionate share of health consequences from smoking and are more responsive to price increases.
- Should consider progressivity or regressivity of overall fiscal system.
- Negative impact can be offset by use of revenues to support programs targeting population with cessation services and protect funding for rising health care costs in the Exchange.



Tobacco industry clearly understands the impact of tobacco taxation

"With regard to taxation, it is clear that in the US, and in most countries in which we operate, tax is becoming a major threat to our existence."

"Of all the concerns, there is one - taxation - that alarms us the most. While marketing restrictions and public and passive smoking (restrictions) do depress volume, in our experience taxation depresses it much more severely. Our concern for taxation is, therefore, central to our thinking...."

Philip Morris, "Smoking and Health Initiatives", 1985



Conclusions

- Substantial increases in tobacco excise taxes lead to large reductions in tobacco use and, in the long run, reduce the public health toll caused by tobacco use.
- Additional reductions in overall smoking and in the prevalence of youth smoking result when tax increases are coupled with comprehensive tobacco control efforts.
- Arguments about economic consequences of tobacco control and tax increases are misleading, overstated, or false.

