



January 29, 2020

TO: **The Honorable Guy Guzzone, Chair**
The Honorable Jim Rosapepe, Vice Chair
Members of the Senate Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, MD 21401

FROM: **Jocelyn Collins, Maryland and DC Government Relations Director**
American Cancer Society Cancer Action Network, Inc.
555 11th St. NW, Suite 300
Washington, DC 20004

SUBJECT: **SB 3 Electronic Smoking Devices, Other Tobacco Products, and**
Cigarettes—Taxation and Regulation

Position: **SUPPORT**

The American Cancer Society Cancer Action Network (ACS CAN) is the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society. We support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. On behalf of our constituents, many of whom have been personally affected by cancer, we stand in strong support of SB 3. We urge you to vote “favorably” on this life-saving legislation to increase the tax on cigarettes by \$2.00 per pack and increase the tax on all other tobacco products, including electronic smoking devices to 86% of wholesale to prevent kids from starting to use tobacco and help adults quit.

In 2020, it is estimated that approximately 34,710 Maryland residents will be diagnosed with cancer while 10,790 will die from the disease.¹ 27.3% of cancer deaths in Maryland are attributable to smoking according to the American Cancer Society.²

Here in Maryland 18.2% of adults use any tobacco product, including 12.5% who use cigarettes.³ Tobacco product use among youth is much too high, 5.0% of Maryland high school students smoke cigarettes, 6.0% smoke cigars, 4.6% use smokeless tobacco, and 23% use electronic smoking devices.⁴

While the personal toll of tobacco is high, this deadly product also costs the U.S. economy billions of dollars in preventable health care expenditures and lost worker productivity. Total health care costs, public and private, spent on smoking-caused disease in our state each year now stands \$2.71 billion.⁵ As

¹ American Cancer Society. Maryland Cancer Facts and Figures 2020. Atlanta: American Cancer Society; 2020.

² Lortet-Tieulent J, Goding Sauer, A, Siegel, RL, Miller, KD, Islami, F, Fedewa, SA, Jacobs, EJ, Jemal A. State-Level Cancer Mortality Attributable to Cigarette Smoking in the United States. JAMA Internal Medicine. Published online October 24, 2016.

³ Maryland Department of Health. BRFSS 2018. Unpublished. Local Health Department Tobacco Control Meeting, November 21, 2019.

⁴ Maryland Department of Health. YRBS/YTS 2019. Unpublished. Local Health Department Tobacco Control Meeting, November 21, 2019.

⁵ Campaign for Tobacco-Free Kids. The Toll of Tobacco in Maryland. Updated January 15, 2020. https://www.tobaccofreekids.org/facts_issues/toll_us/maryland

a consequence of this, Maryland residents pay \$682 per household annually in additional state and federal taxes to cover smoking-caused government expenditures.⁶

SB 3 is supported by strong science and evidence. The 2014 U. S. Surgeon General Report, *The Health Consequences of Smoking – 50 years of Progress* concludes that increases in the price of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of tobacco use among youth and adults.⁷ This conclusion reaffirms findings from previous Surgeon General’s reports on tobacco use that raising the price of tobacco is one of the most effective tobacco prevention and control strategies, and that increasing the price of cigarettes and tobacco products decreases the prevalence of tobacco use, particularly among youth and young adults.⁸ [A bibliography that lists other peer-reviewed publications and reports that attest to the health benefits of tobacco tax increases is appended to this testimony.]

Additionally, the 2020 Surgeon General *Smoking Cessation: A Report of the Surgeon General* backs up previous findings. The Surgeon General states that, “population-based strategies are aimed at influencing tobacco cessation at a macro level by motivating smokers to quit and by providing an environment that supports or simplifies efforts to quit or lowers barriers to quitting that smokers might encounter.”⁹ He also notes that, “population-based strategies include increasing the price of and/or the tax on cigarettes and other tobacco products, restricting where tobacco can be used by implementing smoke-free and tobacco-free policies, and adequately funding tobacco control programs at the state level will decrease prevalence of tobacco use.”¹⁰

ACS CAN, in partnership with the Campaign for Tobacco-Free Kids and Dr. Frank Chaloupka and his Tobacconomics research team, has developed a projections model to estimate the public health and economic benefits produced by significant increases in state cigarette excise taxes. This predictive model is constantly being updated as new data comes in, and it incorporates data from the 48 U.S. states who have increased their cigarette taxes 144 times since 2000. In support of SB 3, our research projections estimate that increasing Maryland’s cigarette tax by \$2.00 per pack would generate \$97.43 million in new annual revenue for the state as well as:

- Reduce youth smoking by 20.8%.
- Prevent 17,500 kids under 18 from becoming adults who smoke.
- Help 37,200 adults who currently smoke quit.
- Prevent 14,500 premature smoking-caused deaths.
- Provide \$1.11 billion in long-term health care cost savings from adult and youth smoking declines.

Increasing the tax on all other tobacco products at the same time would produce additional health and economic benefits for Maryland.

It is important to keep in mind that the health and revenue impact of tobacco tax increases is largely dependent on the policy creating a significant and sustained change in the real *price* of tobacco products at the retail level, and also on the degree to which the price increase applies to *all* product categories.

Ensuring that the tax increase is applicable to all categories of tobacco products including electronic

⁶ Ibid

⁷ U.S Department of Health and Human Services (HHS). *The Health Consequences of Smoking – 50 Years of Progress: A Report of the Surgeon General*. Atlanta, GA. U. S. Department of Health and Human Services, Centers for Disease Control and Prevention and Health Promotion, Office of Smoking and Health; 2014. Available at <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/exec-summary.pdf>.

⁸ HHS, 2014.

⁹ U.S Department of Health and Human Services (HHS). *Smoking Cessation: A Report of the Surgeon General- Executive Summary*. Rockville, MD. U. S. Department of Health and Human Services, Public Health Service, Office of the Surgeon General; 2020. Available at <https://www.hhs.gov/sites/default/files/2020-cessation-sgr-executive-summary.pdf>.

¹⁰ U.S Department of Health and Human Services (HHS). *Smoking Cessation: A Report of the Surgeon General- Executive Summary*. Rockville, MD. U. S. Department of Health and Human Services, Public Health Service, Office of the Surgeon General; 2020. Available at <https://www.hhs.gov/sites/default/files/2020-cessation-sgr-executive-summary.pdf>.

smoking devices will greatly benefit tobacco prevention and cessation outcomes, in addition to the state's balance sheet, by discouraging consumers from switching to lower-taxed, lower-cost products. If not all products are priced equally, simply stated, Maryland can expect to see diminished positive outcomes as a result. Currently in Maryland, other tobacco products have an excised tax of 30% of wholesale for other tobacco products, 70% of wholesale for cigars, 15% of wholesale for premium cigars, and electronic smoking devices do not receive an excise tax at all. We should not allow such highly addictive products to avoid being taxed the same rate as cigarettes.

The good news is that a cigarette tax increase of \$2.00 per pack with parity on all other tobacco products, including electronic smoking devices at 86% wholesale as contained in SB 3 will result in a significant price increase, providing a strong antidote to the aggressive marketing tactics being employed by tobacco companies. In Maryland, tobacco manufacturers are currently spending \$126.2 million each year to market their deadly and addictive products to our state's most vulnerable populations.¹¹ Tobacco advertising has evolved a lot over the years, much of it now being focused on pricing and retail promotions. Tobacco companies spent nearly \$7.95 billion in 2017, 92% of their cigarette marketing budgets, on coupons and promotions that reduced the prices consumers paid for cigarettes.¹²

Anything less than the tax increase proposed in SB 3 can be more easily offset by the tobacco companies using these same types of coupons, discounts and price manipulations that are designed to keep people addicted in spite of a tobacco tax increase. For that reason, it is critical to protect the state's interest in both health and revenue and not appease the tobacco industry with a tax increase of a lesser amount.

Among people who currently smoke in the U.S., 68% report that they want to quit tobacco use completely.¹³ In response to this proposed tobacco tax increase, we recognize that [many more thousands] of people will be interested in trying to quit. Some will successfully quit on their own as a result of the price increase, but others will need additional help. Many people in Maryland lack adequate tobacco cessation resources, and these problems can undermine the positive outcomes that would otherwise result from this tax. For this reason, SB 3 provides \$21 million dollars to the state's comprehensive tobacco control program to help support the cessation goals of this policy. Strengthening prevention and cessation resources in the state is particularly important so that all population segments can receive help in trying to successfully quit, or avoid starting tobacco use altogether, regardless of income or other social determinants.

In closing, from the cancer control perspective, we believe the status quo that perpetuates preventable tobacco-related death and disease is unacceptable. The relatively low price of tobacco products makes it too easy for youth to afford to start smoking and continue smoking, and current tobacco tax rates do little to defray the enormous societal cost smoking has on the state and federal economy. If we are serious about reducing the toll of preventable cancer and chronic disease in our state, a high-impact tobacco tax increase such as this will help us achieve that life-saving mission. We urge you to vote "favorably" on SB 3 to increase the cigarette tax by \$2.00 per pack and increase the tax on all other tobacco products to 86% of wholesale because your action is needed now to prevent the start of youth tobacco use—and to help put an end to the devastation that tobacco continues to inflict on Maryland children and families.

¹¹ Campaign for Tobacco-Free Kids. The Toll of Tobacco in Maryland. Updated January 15, 2020.. https://www.tobaccofreekids.org/facts_issues/toll_us/maryland

¹² Federal Trade Commission. [Cigarette Report for 2017](#). Washington: Federal Trade Commission, 2019.

¹³ Centers for Disease Control and Prevention. [Quitting Smoking Among Adults—United States, 2000–2015](#). Morbidity and Mortality Weekly Report 2017;65(52):1457-64 [accessed 2017 Jan 24].

Research Studies that Show Tobacco Tax Increases Work

Bibliographical References:

- U.S. National Cancer Institute and World Health Organization. *The Economics of Tobacco and Tobacco Control*. National Cancer Institute Tobacco Control Monograph 21. NIH Publication No. 16-CA-8029A. Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization; 2016. <http://cancercontrol.cancer.gov/brp/tcrb/monographs/21/index.html> [accessed May 11, 2017]
- U.S. Department of Health and Human Services. *The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/index.html>. [accessed May 11, 2017]
- U.S. Department of Health and Human Services. *Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2012. <http://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/full-report.pdf>. [accessed May 11, 2017]
- Centers for Disease Control and Prevention. *Best Practices for Comprehensive Tobacco Control Programs — 2014*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. https://www.cdc.gov/tobacco/stateandcommunity/best_practices/index.htm. [accessed May 11, 2017]
- Community Preventive Services Task Force, *Reducing Tobacco Use and Secondhand Smoke Exposure: Interventions to Increase the Unit Price for Tobacco Products, Task Force Finding and Rationale Statement*, 2014, <http://www.thecommunityguide.org/tobacco/RRincreasingunitprice.html>. [accessed May 11, 2017]
- Center on Budget and Policy Priorities. “Higher Tobacco Taxes Can Improve Health and Raise Revenue.” A report by the Center on Budget and Policy Priorities. Marr, C., and Huang, C. March 19, 2014. <http://www.cbpp.org/research/higher-tobacco-taxes-can-improve-health-and-raise-revenue>. [accessed May 11, 2017]
- International Agency for Research on Cancer. *IARC Handbooks of Cancer Prevention, Tobacco Control, Volume 14: Effectiveness of Tax and Price Policies in Tobacco Control*. Lyon, France: International Agency for Research on Cancer, 2011. Lyon, France. <http://publications.iarc.fr/Book-And-Report-Series/Iarc-Handbooks-Of-Cancer-Prevention/Effectiveness-Of-Tax-And-Price-Policies-For-Tobacco-Control-2011>. [accessed May 11, 2017]
- Institute of Medicine (IOM), *Ending the tobacco problem: A blueprint for the nation*, Washington, DC: The National Academies Press, 2007, <http://www.nationalacademies.org/HMD/Reports/2007/Ending-the-Tobacco-Problem-A-Blueprint-for-the-Nation.aspx>. [accessed May 11, 2017]
- President’s Cancer Panel. *Promoting Healthy Lifestyles: Policy, Program, and Personal Recommendations for Reducing Cancer Risk*, 2006-2007 Annual Report, August 2007, <https://deainfo.nci.nih.gov/advisory/pcp/annualReports/pcp07rpt/pcp07rpt.pdf>. [accessed May 11, 2017]

- U.S. Department of Health and Human Services. *Reducing Tobacco Use: A Report of the Surgeon General*. Atlanta, Georgia: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2000. http://profiles.nlm.nih.gov/NN/B/B/L/Q/_/nnbbllq.pdf. [accessed May 11, 2017]
- Centers for Disease Control and Prevention, "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," *Morbidity and Mortality Weekly Report* 47(29):605-609, July 31, 1998, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm>. [accessed May 11, 2017]
- Chaloupka, FJ, Tauras, J & Grossman, M. 1997. "Public Policy and Youth Smokeless Tobacco Use," *Southern Economic Journal* 64(2):503- 16. <http://www.nber.org/papers/w5524>. [accessed May 11, 2017]
- Chaloupka, FJ, Hu T-W, Warner, KE, et al. 2000. "The Taxation of Tobacco Products." In: Jha, P. and Chaloupka, F.J. eds. *Tobacco Control in Developing Countries*. Oxford: Oxford University Press. 237-72. <http://siteresources.worldbank.org/INTETC/Resources/375990-1089904539172/237TO272.PDF>. [accessed May 11, 2017]
- Chaloupka FJ, Pack RM, Tauras JA, et al. 2009. "Cigarette Excise Taxation: The Impact of Tax Structure on Prices, Revenues, and Cigarette Smoking." National Bureau of Economic Research Working Paper Number 16287. Cambridge MA: National Bureau of Economic Research. <http://www.nber.org/papers/w16287>. [accessed May 11, 2017]
- Chaloupka, FJ and Warner, KE. 2000. "The Economics of Smoking." In: *Handbook of Health Economics*, edited by A.J. Culyer and J.P. Newhouse. Amsterdam, 2000. The Netherlands: Elsevier Science, 1539-1627. <http://www.nber.org/papers/w7047>. [accessed May 11, 2017]
- Chaloupka FJ, Yurekli A, Fong GT. 2012. "Tobacco taxes as a tobacco control strategy." *Tobacco Control* 21:172-180. <http://tobaccocontrol.bmj.com/content/21/2/172>. [accessed May 11, 2017]
- Farrelly, MC, Bray, JW, Pechacek, T, Woollery, T. 2001. "The response by adults to increases in cigarette prices by sociodemographic characteristics." *Southern Economic Journal*, 68(1), 156–165. https://libres.uncg.edu/ir/uncg/f/J_Bray_Response_Adult_2001.pdf. [accessed June 15, 2017]
- Liang, L, and Chaloupka, FJ. 2002. "Differential effects of cigarette price on youth smoking intensity." *Nicotine and Tobacco Research* 4 (1): 109-114. <https://academic.oup.com/ntr/article-abstract/4/1/109/1058963/Differential-effects-of-cigarette-price-on-youth?redirectedFrom=fulltext>. [accessed May 11, 2017]
- Ringel J, Evans W. "Cigarette taxes and smoking during pregnancy." 2001. *American Journal of Public Health*, 91(11):1851-1856. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1446890/>. [accessed May 11, 2017]
- Ringel, J, Wasserman, J, & Andreyeva, T. 2005. "Effects of public policy on adolescents' cigar use: evidence from the National Youth Tobacco Survey," *American Journal of Public Health* 95:995-998. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1449297/>. [accessed May 11, 2017]
- Wilson LM, Avila Tang E, Chander G, et al. 2012. Impact of tobacco control interventions on smoking initiation, cessation, and prevalence: a systematic review. *J Environ Public Health* 2012:1-36. <https://www.hindawi.com/journals/jep/2012/961724/>. [Accessed June 15, 2017]

Other Compilations of Evidence-Based Resources:

American Cancer Society Cancer Action Network:

Tackling Tobacco Use at the State and Federal Levels

<https://www.acscan.org/policy-resources/tackling-tobacco-use-state-and-federal-levels> [accessed June 28, 2017]

Increase Tobacco Excise Taxes: Save Lives, Reduce Health Care Costs, Generate Revenue

<https://www.acscan.org/policy-resources/increase-tobacco-excise-taxes-save-lives-reduce-health-care-costs-generate-revenue> [accessed June 28, 2017]

State Tobacco Tax Increases: Explanations and Sources for Projections of New Revenues & Benefits

<https://www.acscan.org/policy-resources/state-tobacco-tax-increases-explanations-and-sources-projections-new-revenues> [accessed June 28, 2017]

Campaign for Tobacco-Free Kids:

Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (And the Cigarette Companies Know It)

<https://www.tobaccofreekids.org/research/factsheets/pdf/0146.pdf> [accessed June 28, 2017]

Excerpts from the 2012 Surgeon General's Report Supporting Tobacco Tax Increases

<https://www.tobaccofreekids.org/research/factsheets/pdf/0372.pdf> [accessed June 28, 2017]

Tobacco Tax Increases Benefit Lower-Income Smokers and Families

<https://www.tobaccofreekids.org/research/factsheets/pdf/0147.pdf> [accessed June 28, 2017]

Tobacconomics:

Research database providing evidence for the impact on consumer demand of tobacco control policies focused on taxes and prices

<https://tobacconomics.org/database/#119,p=1> [accessed June 28, 2017]

Tackling Tobacco Use in Maryland

Save Lives. Reduce Health Care Costs. Generate Revenue



Health Costs of Tobacco

The use of tobacco products remains the nation's number one cause of preventable death. Tobacco use is responsible for nearly 1 in 5 deaths nationwide. In Maryland:

- An estimated 7,500 deaths are caused by smoking each year.ⁱ
- 12.5% of adults and 5.0% of high school students smoke cigarettes.ⁱⁱ
- 1,600 kids under 18 become new daily smokers each year.ⁱ
- If nothing is done to curb the tobacco epidemic an estimated 92,000 Maryland kids under 18 today will ultimately die prematurely from smoking-related diseases.ⁱ
- Over 27% of cancer deaths are attributable to smoking.ⁱ
- In addition to cancer, tobacco increases the risk of heart attack, stroke, COPD, emphysema, chronic bronchitis, preterm delivery, stillbirth, low birth weight, SIDS, and other diseases.ⁱⁱⁱ

Economic Costs of Smoking

Tobacco-related illnesses are expensive and harmful for all of us. Each year in Maryland, smoking is estimated to cost \$2.71 billion in direct health care costs, including \$576.5 million in Medicaid costs.ⁱ Additionally, Maryland experiences \$2.22 billion in smoking-caused productivity losses annually.ⁱ

Raise it for kids. Raise it for health. Raise it to save lives.

The Solution: Effective Tobacco Control

Regular and significant tobacco tax increases, along with fully funding evidence-based tobacco prevention and cessation programs and comprehensive smoke-free laws can reduce tobacco use.

Increasing Maryland's cigarette tax by \$2.00 per pack would generate \$97.43 million in new annual revenue for the state as well as:^{iv}

- Reduce youth smoking by 20.8%.
- Prevent 17,500 kids under 18 from becoming adults who smoke.
- Help 37,200 adults who currently smoke quit.
- Prevent 14,500 premature smoking-caused deaths.
- Provide \$1.11 billion in long-term health care cost savings from adult and youth smoking declines.

Increasing the tax on all other tobacco products at the same time would produce additional health and economic benefits for Maryland. It is important that tax increases apply to all tobacco products at an equivalent rate to encourage people to quit rather than switch to a cheaper product as well as to prevent youth from starting to use any tobacco product. To parallel the new \$4.00 per pack cigarette tax the state's tax on all other tobacco products should be increased to 86% of the wholesale price.

Investing \$21 million from the tax increase revenue in Maryland's tobacco prevention and cessation programs is crucial to prevent kids from starting to use tobacco and help adults who already use tobacco to quit.

ⁱ Campaign for Tobacco Free Kids. The Toll of Tobacco in Maryland. Updated October 23, 2019. http://www.tobaccofreekids.org/facts_issues/toll_us/maryland

ⁱⁱ Maryland Department of Health. Adult BRFSS 2018. Unpublished. MD Department of Health. Local Health Department Tobacco Control Program Coordinator Meeting. Dawn Berkowitz. November 21, 2019.

ⁱⁱⁱ Centers for Disease Control and Prevention (CDC). Health Effects of Cigarette Smoking. Updated May 14, 2017. https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/

^{iv} American Cancer Society Cancer Action Network, Campaign for Tobacco-Free Kids, and Tobaccocomics. New Revenues, Public Health Benefits & Cost Savings from a \$2.00 Cigarette Tax Increase in Maryland. Updated January 15, 2020.



**NEW REVENUES, PUBLIC HEALTH BENEFITS & COST SAVINGS
FROM A \$2.00 CIGARETTE TAX INCREASE IN MARYLAND**

- The current state cigarette tax is \$2.00 per pack (17th among all states and DC).
- Annual health care expenditures in Maryland directly caused by tobacco use are \$2.71 billion.

Projected New Annual Revenue from Increasing the Cigarette Tax by \$2.00 Per Pack: \$97.43 million

New Annual Revenue is the amount of additional new revenue the first full year the tax increase is in effect. The state will collect less new revenue if it fails to apply the rate increase to all cigarettes and other tobacco products held in wholesaler and retailer inventories on the effective date.

Projected Public Health Benefits for Maryland from the Cigarette Tax Rate Increase	
Percent decrease in youth (under age 18) smoking:	20.8%
Youth under age 18 kept from becoming adult smokers:	17,500
Reduction in young adult (18-24 years old) smokers:	3,400
Current adult smokers who would quit:	37,200
Premature smoking-caused deaths prevented:	14,500
5-Year reduction in the number of smoking-affected pregnancies and births:	5,400
5-Year health care cost savings from fewer smoking-caused lung cancer cases:	\$7.25 million
5-Year health care cost savings from fewer smoking-affected pregnancies and births:	\$14.34 million
5-Year health care cost savings from fewer smoking-caused heart attacks & strokes:	\$16.37 million
5-Year Medicaid program savings for the state:	\$9.88 million
Long-term health care cost savings from adult & youth smoking declines:	\$1.11 billion

1.06.20 ACS CAN / January 15, 2020

- Small tax increase amounts do not produce significant public health benefits or cost savings because the cigarette companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Splitting a tax rate increase into separate, smaller increases in successive years will similarly diminish or eliminate the public health benefits and related cost savings (as well as reduce the amount of new revenue).
- Raising state tax rates on other tobacco products (OTPs), including e-cigarettes, to parallel the increased cigarette tax rate will bring the state additional revenue, public health benefits, and cost savings (and promote tax equity). With unequal rates, the state loses revenue each time a cigarette smoker switches to other tobacco products taxed at a lower rate. To parallel the new \$2.00 per pack cigarette tax, the state's new OTP tax rate should be 83% of the wholesale price with minimum tax rates for each major OTP category linked to the state cigarette tax rate on a per-package or per-dose basis.

Explanations & Notes

Health care costs listed at the top of the page are from the U.S. Centers for Disease Control and Prevention (CDC). Annual health care expenditures in Maryland directly caused by tobacco use are in 2009 dollars and are from the CDC's 2014 *Best Practices for Comprehensive Tobacco Control Programs*.

Projections are based on research findings that nationally, each 10% increase in the retail price of cigarettes reduces youth smoking by 6.5%, young adult prevalence by 3.25%, adult prevalence by 2%, and total cigarette consumption by about 4% (adjusted down to account for tax evasion effects). However, the impact of the tax increase varies from state-to-state, based on the starting pack price. Significant tax increases generate new revenues because the higher tax rate per pack brings in more new revenue than is lost from the tax-related drop in total pack sales.

The projections also incorporate the effect of ongoing background smoking declines, population distribution, and the continued impact of any recent state cigarette tax increases or other changes in cigarette tax policies on prices, smoking levels, and pack sales.

These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and lower net new revenues) from possible new smuggling and tax evasion after the rate increase and from fewer sales to smokers or smugglers from other states, including sales on tribal lands. For ways that the state can protect and increase its tobacco tax revenues and prevent and reduce contraband trafficking and other tobacco tax evasion, see the Campaign for Tobacco-Free Kids (CTFK) factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <https://www.tobaccofreekids.org/assets/factsheets/0274.pdf>.

Projected numbers of youth prevented from smoking and dying are based on all youth ages 17 and under alive today. Projected reduction in young adult smokers refers to young adults ages 18-24 who would not start smoking or would quit as a result of the tax increase. Savings to state Medicaid programs include estimated changes in enrollment resulting from federal laws in effect as of January 1, 2020 and state decisions regarding Medicaid expansion. Long-term cost savings accrue over the lifetimes of persons who stop smoking or never start because of the tax rate increase. All cost savings are in 2020 dollars.

Projections for cigarette tax increases much higher than \$1.50 per pack are limited, especially for states with relatively low current tax rates, because of the lack of research on the effects of larger cigarette tax increase amounts on consumption and prevalence. While cigarette tax rate increases of more than \$1.50 will bring in more revenue and provide greater public health benefits than smaller projections, due to limitations of the model and available research, the projections included on this sheet may be less precise than for projections for lesser amounts. Projections for cigarette tax increases much lower than \$1.00 per pack are also limited because small tax increases are unlikely to produce significant public health benefits.

Ongoing reductions in state smoking rates will, over time, gradually erode state cigarette tax revenues, in the absence of any new rate increases. However, those declines are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues, which can drop sharply during recessions. In addition, the smoking declines that reduce tobacco tax revenues will simultaneously produce much larger reductions in government and private sector smoking-caused health care and other costs over time. See the CTFK factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <https://www.tobaccofreekids.org/assets/factsheets/0303.pdf>.

The projections in the table on this fact sheet were generated using an economic model developed jointly by the Campaign for Tobacco-Free Kids and the American Cancer Society Cancer Action Network and are updated annually. The projections are based on economic modeling by researchers with Tobacconomics: Frank Chaloupka, Ph.D., and John Tauras, Ph.D., at the Institute for Health Research and Policy at the University of Illinois at Chicago, and Jidong Huang, Ph.D., and Michael Pesko, Ph.D., at Georgia State University. The state Medicaid cost savings projections, when available, are based on enrollment and cost estimates by Matt Broadus at the Center on Budget and Policy Priorities using data from the Centers for Medicare and Medicaid Services.

For other ways states can increase revenues (and promote public health) beyond just raising cigarette tax rates, see the CTFK factsheet, *The Many Ways States Can Raise Revenue While Also Reducing Tobacco Use and Its Many Harms & Costs*, <https://www.tobaccofreekids.org/assets/factsheets/0357.pdf>.

Additional information and resources to support tobacco tax increases are available at:

<https://www.tobaccofreekids.org/what-we-do/us/state-tobacco-taxes/fact-sheets>

<http://acscan.org/tobacco/taxes/>

<http://tobacconomics.org/>

For more on sources and calculations, see <https://www.tobaccofreekids.org/assets/factsheets/0281.pdf> or <https://www.fightcancer.org/policy-resources/state-tobacco-tax-increases-explanations-and-sources-projections-new-revenues>.

Ann Boonn, Campaign for Tobacco-Free Kids

Frank J. Chaloupka, Tobacconomics

Katie McMahon, American Cancer Society Cancer Action Network

Increase Tobacco Excise Taxes

Save Lives. Reduce Health Care Costs. Generate Revenue.



The American Cancer Society Cancer Action Network (ACS CAN) supports a comprehensive approach to tobacco control that includes significantly increasing excise taxes on all forms of tobacco.

Health Costs of Tobacco Use

Tobacco is an addictive and deadly product and tobacco use remains the nation's number one cause of preventable death. Cigarette smoking and exposure to secondhand smoke cause approximately one out of every five deaths in the U.S., more than 480,000 premature deaths each year.^{i,ii} This includes at least 28 percent of all cancer deathsⁱⁱⁱ and 80 percent of lung cancer deaths.^{iv}

The Surgeon General projects that without further action, 5.6 million youth age 0-17 alive today will die prematurely from tobacco use.^v Despite the proven health risks, current rates of cigarette smoking and tobacco use remain high. 13.9 percent of U.S. adults smoke cigarettes^{vi} and 20.1 percent use some form of tobacco.^{vii} 7.6 percent of high school students smoke cigarettes and 19.6 percent use some form of tobacco.^{viii}

Economic Costs of Tobacco Use

While the personal toll of tobacco is high, this deadly product also costs the U.S. economy billions of dollars in health care costs and lost worker productivity. Total health care spending, public and private, is approximately \$170 billion annually and productivity losses total more than \$150 billion a year.^{ix} In fact, smoking-related health care costs and productivity losses in the U.S. amount to \$19.16 per pack of cigarettes sold.^{xi} In contrast, the average retail price of a pack of cigarettes in the U.S. remains at \$6.43.^{xii} The low price of tobacco products makes it easy for youth to afford to start and continue smoking, and does little to defray the societal cost smoking has on the U.S. economy.

Reducing Tobacco Use by Increasing Tobacco Excise Taxes

ACS CAN supports a comprehensive approach to tobacco control that includes significantly increasing excise taxes on all forms of tobacco. The average state cigarette tax is \$1.78 per pack, but state cigarette excise taxes vary significantly, from a low of 17 cents per pack in Missouri to a high of \$4.50 in the District of Columbia. Additionally, while not taken into account for the national average, Puerto Rico taxes cigarettes at \$5.10 per pack.

- **Save Lives:** Regular, significant tax increases of \$1.00 or more per pack of cigarettes reduce the number of people who begin smoking and increase the number of smokers who quit. Low-income adults, youth, and pregnant women are especially likely to quit or reduce their smoking when the price increases.^{xiii} In the year after the 2013 cigarette tax increase of \$1.60 in Minnesota, cigarette sales dropped by almost a quarter or 54.6 million packs. Furthermore, among smokers who quit, about two-thirds reported that the increase in price helped them make a quit attempt or stay quit.^{xiv}
- **Reduce Health Care Costs:** Lower smoking rates translate into fewer smoking-related cancers and premature deaths, reduced spending on smoking-related health problems, and more productive workers.
- **Generate Revenue:** Substantial increases in cigarette tax rates generate new revenue.^{xv}

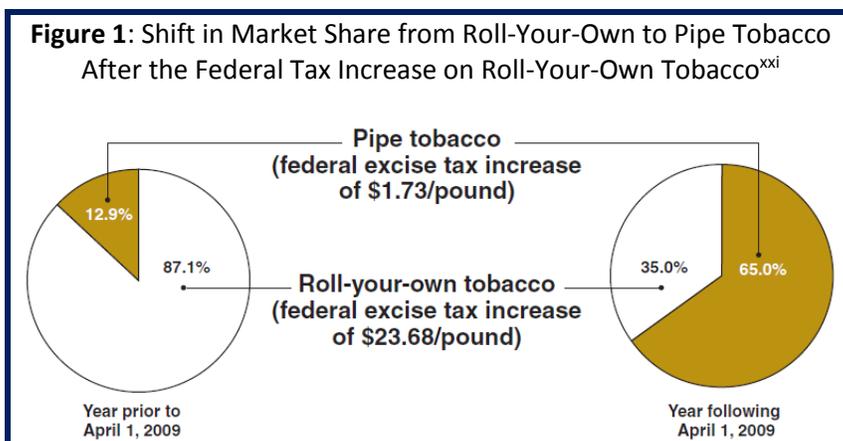
Maximizing the Health and Economic Benefits of a Tobacco Tax Increase

Tax increases must be significant, at least a \$1.00 per pack of cigarettes to produce a meaningful public health impact. Research shows that nationally, a 10 percent cigarette price increase, if maintained against inflation, reduces youth smoking rates by 6.5 percent or more, young adult (18-24 years old) smoking rates by about 3.25 percent, adult smoking rates by 2 percent, and total consumption by 4 percent.^{xvi,xvii,xviii,xix} When tax increases are small, tobacco companies can adjust prices or offer coupons or discounts to reduce the impact. Tobacco companies spent nearly \$7.3 billion in 2015, 88 percent of their cigarette marketing budgets, on coupons and promotions that reduced the prices consumers paid for cigarettes.^{xx}

Tax Increases Should Apply to All Tobacco Products

When different types of tobacco products are taxed at different rates, lower-taxed products are cheaper than they would be if all tobacco products were taxed at an equivalent rate. By increasing the tax on all tobacco products to an equivalent rate, states can help reduce tax evasion, generate more new revenue, prevent initiation of these products, and ensure that more tobacco users quit instead of switching to a cheaper product. What happens when the taxes go up for some, but not all, tobacco products?

- After the 2009 federal tax increase, roll-your-own tobacco was taxed at a much higher rate than pipe tobacco, even though the two products can be used interchangeably. Manufacturers started marketing roll-your-own tobacco as pipe tobacco, and consumers bought the lower-taxed pipe tobacco instead of the higher-taxed roll-your-own tobacco (Figure 1).^{xxii}
- This tax loophole is a lose-lose for the government, because people who switch tobacco products pay lower taxes but continue to have costly health problems.
- Federal revenue from the 2009 tax over the first 2.5 years was as much as \$1.1 billion lower than it could have been if there had been similar tax increases on all tobacco products.



ACS CAN's Position

ACS CAN advocates for regular and significant increases in federal, state, and local excise taxes that will increase the price of all tobacco products.

- Tax increases should be a minimum increase of \$1.00 per pack of cigarettes and an equivalent tax on OTPs to produce a meaningful reduction in tobacco consumption and tobacco-related disease and death.
- There should be tax parity for all tobacco products, including pipe tobacco, small and large cigars, snus, and all other smokeless tobacco products.
- Tax increases should be just one part of a comprehensive approach to tobacco control, including creating 100% smoke-free environments and fully funding effective tobacco prevention and cessation programs.

ⁱ U.S. Department of Health and Human Services (HHS). *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

ⁱⁱ CDC. QuickStats: Number of Deaths from 10 Leading Causes — National Vital Statistics System, United States, 2010. *MMWR* 2013; 62(8): 155.

ⁱⁱⁱ Lortet-Tieulent J, Goding Sauer A, Siegel RL, Miller KD, Islami F, Fedewa SA, Jacobs EJ, Jemal A. State-Level Cancer Mortality Attributable to Cigarette Smoking in the United States. *JAMA Intern Med*. 2016;176(12):1792-1798. doi:10.1001/jamainternmed.2016.6530

^{iv} American Cancer Society. *Cancer Facts & Figures, 2017*. Atlanta, GA: American Cancer Society, 2017.

^v HHS, 2014.

^{vi} CDC. "Early Release of Selected Estimates Based on Data from the 2017 National Health Interview Survey," June 19, 2018, <https://www.cdc.gov/nchs/nhis/releases/released201806.htm#8>.

^{vii} CDC. "Tobacco Product Use Among Adults — United States, 2015," *Morbidity & Mortality Weekly Report*, 66 (44): 1209-1215, November 10, 2017.

^{viii} CDC. "Tobacco Product Use Among Middle and High School Students — United States 2011 — 2017," *Morbidity & Mortality Weekly Report*, 67(22): 629-633. June 8, 2018.

^{ix} HHS, 2014

^x Xu, X., Bishop, E., Kennedy, S., Simpson, S., and Pechacek, T, "Annual Healthcare Spending Attributable to Cigarette Smoking: An Update," *American Journal of Preventative Medicine*. 48:3 March 2015.

^{xi} Campaign for Tobacco-Free Kids. Toll of Tobacco in the United States. <http://www.tobaccofreekids.org/research/factsheets/pdf/0072.pdf>. Accessed July 21, 2017.

^{xii} The Tax Burden on Tobacco. Historical Compilation, Volume 51, 2016.

^{xiii} HHS, 2014

^{xiv} https://tobaconomics.org/wp-content/uploads/2015/02/Minnesota-2013-Tobacco-Tax-White-Paper_10Feb15.pdf

^{xv} Campaign for Tobacco-Free Kids. Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking) Fact Sheet. Updated June 7, 2017 Available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.

^{xvi} Chaloupka, FJ, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://www.ihrp.uic.edu/researcher/frank-j-chaloupka-phd> and <https://tobaconomics.org/>.

^{xvii} Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001.

^{xviii} Chaloupka, FJ & Pacula, R, "The Impact of Price on Youth Tobacco Use," Chapter 12 in National Cancer Institute, Smoking and Tobacco Control Monograph 14, *Changing Adolescent Smoking Prevalence*, November 2001; International Agency for Research on Cancer (IARC), *Effectiveness of Tax and Price Policies for Tobacco Control*, IARC Handbooks of Cancer Prevention in Tobacco Control, Volume 14, 2011.

^{xix} Community Preventive Services Task Force, "Tobacco Use and Secondhand Smoke Exposure: Interventions to Increase the Unit Price for Tobacco Products," November 2012, <https://www.thecommunityguide.org/findings/tobacco-use-and-secondhand-smoke-exposure-interventions-increase-unit-price-tobacco#tab-wttff>

^{xx} Federal Trade Commission. *Cigarette Report for 2015*. Washington: Federal Trade Commission, 2017.

^{xxi} U.S. Government Accountability Office. *Illicit Tobacco: Various Schemes are Used to Evade Taxes and Fees*. GAO-11-1313, March 2011. <http://www.gao.gov/new.items/d11313.pdf>

^{xxii} U.S. Government Accountability Office. *Large Disparities in Rates for Smoking Products Trigger Significant Market Shifts to Avoid Higher Taxes*, GAO-12-475, April 18, 2012, <http://www.gao.gov/products/GAO-12-475>.

Tackling Tobacco with the Three-Legged Stool



Despite significant progress since the first Surgeon General's report on tobacco, issued more than 50 years ago, smoking remains the single largest cause of preventable disease and death in the United States. Nearly half a million Americans die prematurely from smoking each year. The estimated economic costs attributable to smoking and exposure to tobacco smoke total more than \$300 billion annually, with direct medical costs of approximately \$170 billion and productivity losses of more than \$150 billion a year.^{i ii}

The good news is that state and local governments can reduce tobacco use, save lives, and save money by implementing three proven solutions to the problem: 1) Regular and significant increases in tobacco taxes 2) Fully funding evidence-based tobacco prevention and cessation programs and 3) Implementing 100 percent smoke-free laws. Like a three-legged stool, each component works in conjunction with the others, and all three are necessary to overcome the tobacco epidemic. A 2013 study published in the *American Journal of Public Health* found that between 2002 and 2008, each of these measures separately contributed to declines in youth smoking and together they reduced the number of youth smokers by about 220,000. The study also found that states could achieve far greater gains if they more fully implemented these proven strategies.ⁱⁱⁱ These policies are also effective in helping tobacco users to quit.^{iv}

Significant and Regular Increases in Tobacco Taxes on All Tobacco Products

Regular tax increases of \$1.00 or more per pack of cigarettes and equivalent increases in the tax on other tobacco products (OTPs) are a win-win-win for states: a health win that reduces tobacco use and saves lives; a fiscal win as it raises much-needed revenue; and a political win that is popular with the public.

- **Save Lives:** Regular and significant tobacco tax increases are one of the most effective ways to reduce tobacco use and, therefore, suffering and death from tobacco-related diseases like cancer. Studies have shown that, nationwide, every real 10 percent increase in the price of cigarettes reduces youth smoking by about 6.5 percent and overall consumption by about 4 percent.^{v vi}
- **Save Money:** Significant increases to cigarette and tobacco taxes result in substantial revenue increases for states as well as health care cost savings. Every state that has significantly increased its cigarette tax in recent years has seen increases in revenue.
- **Voters Approve:** National and state polls consistently have found overwhelming public support for tobacco tax increases. In fact, many polls have shown voters are more likely to support a candidate that supports increasing the tax on tobacco.

Fully Funded State Tobacco Control Programs

Evidence-based, statewide tobacco control programs that are comprehensive, sustained, and accountable have been shown to reduce tobacco use rates, as well as tobacco-related diseases and deaths. Research shows that the more states spend on comprehensive tobacco control programs, the greater the reductions in tobacco use. The longer states invest in such programs, the greater and quicker the impact.

- **Reduce Tobacco Use:** From 2009 to 2015, smoking among North Dakota's high school students fell by 48 percent, from 22.4 percent to 11.7 percent.^{vii} In Florida, the high school smoking rate fell to just 6.9 percent in 2015, far below the national rate.^{viii} Both of these states have made significant, long-term investments in their state's tobacco control programs.
- **Save Lives:** California, with the nation's longest-running prevention and cessation programs, has reduced lung and bronchus cancer rates four times faster than the rest of the U.S. Lung cancer rates declined by a third between 1988 and 2011 in California.^{ix} Washington state estimates that its smoking reductions have prevented 13,000 premature deaths.^x
- **Save Money:** A 2011 study found that Washington state saved more than \$5.00 in tobacco-related hospitalization costs for every \$1.00 spent during the first 10 years of its program.^{xi}

Comprehensive Smoke-free Laws

According to the U.S. Surgeon General, there is no safe level of exposure to secondhand smoke, which contains approximately 70 known or possible carcinogens.^{xii xiii xiv} Each year in the United States, secondhand smoke causes nearly 42,000 deaths among nonsmokers, including up to 7,300 lung cancer deaths.^{xv xvi} Throughout the country, elected officials at the state and local levels are recognizing the health and economic benefits of comprehensive smoke-free laws. The only way to fully eliminate exposure to secondhand smoke is to prohibit smoking in all public places, making them 100 percent smoke-free.

- **Reduce Exposure to Secondhand Smoke:** Smoke-free laws reduce exposure to secondhand smoke, encourage and increase quitting among current smokers, and reduce health care, cleaning, and lost productivity costs.^{xvii xviii xix}
- **Improve Health:** Smoke-free laws have been proven to improve the health of workers in those establishments, as well as the general public. Comprehensive smoke-free laws have been shown to reduce hospital admissions and deaths from respiratory disease, coronary events and other heart disease, and cerebrovascular accidents in hospitality workers.^{xx xxi}
- **Good for Business:** Smoke-free laws protect health without impacting business. The U.S. Surgeon General's Report concluded, "Evidence from peer-reviewed studies shows that smoke-free policies and regulations do not have an adverse economic impact on the hospitality industry."^{xxii}

ⁱ U.S. Department of Health and Human Services (HHS). *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

ⁱⁱ Xu, X., Bishop, E., Kennedy, S., Simpson, S., and Pechacek, T, "Annual Healthcare Spending Attributable to Cigarette Smoking: An Update," *American Journal of Preventative Medicine*. 48:3 March 2015.

ⁱⁱⁱ Matthew C. Farrelly, Brett R. Loomis, Beth Han, Joe Gfroerer, Nicole Kuiper, G. Lance Couzens, Shanta Dube, and Ralph S. Caraballo. A Comprehensive Examination of the Influence of State Tobacco Control Programs and Policies on Youth Smoking. *American Journal of Public Health*: March 2013, Vol. 103, No. 3, pp. 549-555. doi: 10.2105/AJPH.2012.300948

^{iv} HHS, 2014

^v Chaloupka FJ. "How Effective are Taxes in Reducing Tobacco Consumption?" Available at http://tigger.uic.edu/~fjc/Presentations/Papers/taxes_consump_rev.pdf.

^{vi} Chaloupka FJ. "The Impact of Proposed Cigarette Price Increases." Policy Analysis No. 9, Health Science Analysis Project, Advocacy Institute, 1998. Available at http://tigger.uic.edu/~fjc/Presentations/Papers/hsap_policy9.pdf.

^{vii} North Dakota Department of Health, "Youth Risk Behavior Survey Results Detailed Summary Tables," 2015, <https://www.nd.gov/dpi/uploads/1298/2015NDHighSchoolSummaryTables.pdf>

^{viii} Florida Department of Health. Florida Youth Tobacco Survey. Available at <http://www.floridahealth.gov/statistics-and-data/survey-data/fl-youthtobaccosurvey/index.html>. Accessed March 28, 2017.

^{ix} Lightwood, J and Glantz SA, "The Effect of the California Tobacco Control Program on Smoking Prevalence, Cigarette Consumption, and Healthcare Costs: 1989-2008," *PLOS ONE* 8(2), February 2013.

^x Dilley, Julia A., et al., "Program, Policy and Price Interventions for Tobacco Control: Quantifying the Return on Investment of a State Tobacco Control Program," *American Journal of Public Health*, Published online ahead of print December 15, 2011. See also, Washington State Department of Health, Tobacco Prevention and Control Program, Progress Report, March 2011. Washington State Department of Health, Tobacco Prevention and Control Program, News Release, "Thousands of lives saved due to tobacco prevention and control program," November 17, 2010, http://www.doh.wa.gov/Publicat/2010_news/10-183.htm.

^{xi} Dilley, et al.

^{xii} U.S. Department of Health and Human Services. *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General*. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Coordinating Center for Health Promotion, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2006.

^{xiii} U.S. Department of Health and Human Services. *How Tobacco Smoke Causes Disease: The Biology and Behavioral Basis for Smoking-Attributable Disease – A Report of the Surgeon General*. 2010. Atlanta, GA: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, OSH.

^{xiv} HHS 2014

^{xv} Max W., Sung H-Y, and Shi Y. (2012). Deaths from Secondhand Smoke Exposure in the United States: Economic Implications. *American Journal of Public Health*. 2012; 102:2173-2180.

^{xvi} HHS 2014

^{xvii} HHS 2006

^{xviii} Task Force on Community Prevention Services. "Recommendations Regarding Interventions to Reduce Tobacco Use and Exposure to Environmental Tobacco Smoke." *American Journal of Preventive Medicine* 2001;20(2S):10-5.

^{xix} Ericksen M. and Chaloupka F. "The Economic Impact of Clean Indoor Air Laws." *CA: A Cancer Journal for Clinicians* 57(6):367-378, November 2007.

^{xx} U.S. Department of Health and Human Services. *The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, Coordinating Center for Health Promotion, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2006.

^{xxi} Tan CE, Glantz SA. Association Between Smoke-Free Legislation and Hospitalizations for Cardiac, Cerebrovascular, and Respiratory Diseases: A Meta-Analysis. *Circulation* 2012;126:2177-83.

^{xxii} HHS 2006

The Importance of Tax Parity for All Tobacco Products



Increasing tobacco taxes is one of the best ways to reduce tobacco use. It is important that tax increases apply to all tobacco products at an equivalent rate to encourage people to quit rather than switch to a cheaper product as well as to prevent youth from starting to use any tobacco product. In many states other tobacco products are taxed at a lower rate than cigarettes, making them an appealing alternative for price-sensitive consumers including youth. Other tobacco products include, but are not limited to, moist snuff, nasal snuff, loose-leaf and plug chewing tobacco, snus, dissolvable tobacco products, cigars, pipe tobacco, roll-your-own tobacco, and hookah.

The Health Effects of Tobacco

- Cigarettes: Cigarette smoking and exposure to secondhand smoke cause approximately one out of every five deaths in the U.S., more than 480,000 premature deaths each year.^{i,ii} Smokeless Tobacco: can cause oral, esophageal, and pancreatic cancers as well as precancerous lesions of the mouth, gum recession, bone loss around the teeth, tooth staining, and nicotine addictionⁱⁱⁱ and contains at least 28 cancer causing chemicals.^{iv}
- Smokeless Tobacco: can cause oral, esophageal, and pancreatic cancers as well as precancerous lesions of the mouth, gum recession, bone loss around the teeth, tooth staining, and nicotine addiction^v and contains at least 28 cancer causing chemicals.^{vi}
- Hookah: people who smoke hookah may be at risk for some of the same diseases as people who smoke cigarettes including cancer of the oral cavity, lung, stomach, and esophagus.^{vii}
- Cigars: people who smoke cigars are four to 10 times more likely to die from lung, laryngeal, oral or esophageal cancers than non-smokers.^{viii}

The Importance of Tax Parity for All Tobacco Products

As states increase taxes on cigarettes and smoking rates decline, increasing taxes on all other tobacco products to achieve tax parity takes on greater importance. All other tobacco products (OTP) should be taxed at the same rate as cigarettes to encourage smokers to quit rather than switching to lower-priced alternatives.

Cigarettes



Cigarettes are often taxed at a much higher rate than OTP. ACS CAN urges states to raise taxes on all tobacco products regularly and significantly, as research shows this is the best way to curb tobacco use.

Flavored Cigars

In 2014, among middle and high school students who used cigars in the past 30 days, 63.5% reported using a flavored cigar during that time.^x



Smokeless Tobacco

Smokeless tobacco, consumed orally or nasally, increases the risk of cancer and leads to nicotine addiction.



Little Cigars

Lower tax rates make little cigars appealing to young smokers.



Hookah

Secondhand hookah smoke poses equal or greater danger than secondhand cigarette smoke.^{ix}

Large Cigars

Manufacturers can manipulate weight to evade higher taxes.



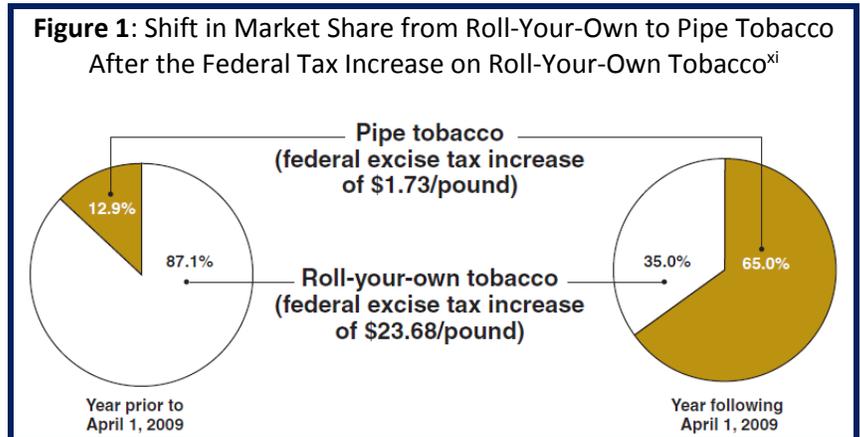
By increasing taxes on all tobacco products, states can save lives, reduce health care costs, and generate much needed revenue.

Tax Increases Should Apply to All Tobacco Products

When different types of tobacco products are taxed at different rates, lower-taxed products are cheaper than they would be if all tobacco products were taxed at an equivalent rate. By increasing the tax on all tobacco products to an equivalent rate, states can help reduce tax evasion, generate more new revenue, prevent initiation of these products, and ensure that more tobacco users quit instead of switching to a cheaper product. What happens when the taxes go up for some, but not all, tobacco products?

- After the 2009 federal tax increase, roll-your-own tobacco was taxed at a much higher rate than pipe tobacco, even though the two products can be used interchangeably. Manufacturers started marketing roll-your-own tobacco as pipe tobacco, and consumers bought the lower-taxed pipe tobacco instead of the higher-taxed roll-your-own tobacco (Figure 1).^{xii}
- This tax loophole is a lose-lose for the government, because people who switch tobacco products pay lower taxes but continue to have costly health problems.

Federal revenue from the 2009 tax over the first 2.5 years was as much as \$1.1 billion lower than it could have been if there had been similar tax increases on all tobacco products



Recent research shows cigarette taxes must increase by a minimum of \$1.00 per pack to have a meaningful public health impact. To maximize revenue, states should establish tax parity between cigarettes and OTP to ensure that states do not lose revenues from people switching from cigarettes to lower-taxed tobacco products, a type of switching which has been common in recent years.

ⁱ U.S. Department of Health and Human Services (HHS). *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

ⁱⁱ CDC. QuickStats: Number of Deaths from 10 Leading Causes — National Vital Statistics System, United States, 2010. *MMWR* 2013; 62(8): 155.

ⁱⁱⁱ American Cancer Society. *Cancer Facts & Figures 2018*. Atlanta, GA: American Cancer Society, 2018.

^{iv} Centers for Disease Control and Prevention. *Smokeless Tobacco Use in the United States*. Updated July 25, 2016. Available at https://www.cdc.gov/tobacco/data_statistics/fact_sheets/smokeless/use_us/index.htm

^v American Cancer Society. *Cancer Facts & Figures 2018*. Atlanta, GA: American Cancer Society, 2018.

^{vi} Centers for Disease Control and Prevention. *Smokeless Tobacco Use in the United States*. Updated July 25, 2016. Available at https://www.cdc.gov/tobacco/data_statistics/fact_sheets/smokeless/use_us/index.htm

^{vii} Centers for Disease Control and Prevention. *Smoking & Tobacco Use: Hookahs*. Updated December 1, 2016.

https://www.cdc.gov/tobacco/data_statistics/fact_sheets/tobacco_industry/hookahs/index.htm

^{viii} American Cancer Society, 2014.

^{ix} Barnett TE, Curbow BA, Soule EK, et al. "Carbon Monoxide Levels Among Patrons of Hookah Cafes." *American Journal of Preventative Medicine* 2011; 40(3): 324-328.

^x Corey CG, Abrose BK, Apelberg BJ, and King BA. Flavored Tobacco Product Use Among Middle and High School Students – United States, 2014, *MMWR* 2015; 64: 1066-1070.

^{xi} U.S. Government Accountability Office. *Illicit Tobacco: Various Schemes are Used to Evade Taxes and Fees*. GAO-11-1313, March 2011. <http://www.gao.gov/new.items/d11313.pdf>

^{xii} U.S. Government Accountability Office. *Large Disparities in Rates for Smoking Products Trigger Significant Market Shifts to Avoid Higher Taxes*, GAO-12-475, April 18, 2012, <http://www.gao.gov/products/GAO-12-475>.

Significant Cigarette Tax Increases Generate New Revenue



Substantial increases in cigarette tax rates generate new revenue. In fact, every state that has significantly increased its state cigarette tax has also boosted its state revenue, despite the beneficial declines in consumption resulting from the tax increase, and regardless of any related tax avoidance, tax evasion, or illicit activity.ⁱ

State Revenue Gains from Ten Years of Significant Cigarette Tax Increases

In the past ten years, the below states have increased their cigarette tax by at least \$1.00 per pack. All states that have done so have experienced substantial revenue gains. The following chart shows the revenue increase in the first twelve months following the tax increase, as compared to the 12 months prior to the tax increase.ⁱⁱ

State	Effective Date	Tax Increase (per pack)	New State Tax Rate (per pack)	Revenue Increase	Gross New Revenues (millions)
District of Columbia	10/1/08	\$1.00	\$2.00	+48.2%	\$11.1
Florida	7/1/09	\$1.00	\$1.339	+193.2%	\$828.8
Illinois	6/24/12	\$1.00	\$1.98	+39.0%	\$229.2
Maryland	1/1/08	\$1.00	\$2.00	+45.8%	\$126.9
Massachusetts	7/1/08	\$1.00	\$2.51	+32.2%	\$137.2
Massachusetts	7/31/13	\$1.00	\$3.51	+16.0%	\$86.2
Minnesota	7/1/13	\$1.60	\$2.83	+56.0%	\$204.1
Nevada	7/1/15	\$1.00	\$1.80	+51.6%	\$54.6
New York	6/3/08	\$1.25	\$2.75	+39.7%	\$375.4
New York	7/1/10	\$1.60	\$4.35	+18.8%	\$244.6
Rhode Island	4/10/09	\$1.00	\$3.46	+15.1%	\$17.8
Utah	7/1/10	\$1.005	\$1.70	+85.0%	\$47.0
Washington	5/1/10	\$1.00	\$3.025	+17.0%	\$62.0
Wisconsin	1/1/08	\$1.00	\$1.77	+93.9%	\$286.0

Additionally, Pennsylvania raised their state cigarette tax by \$1.00 per pack effective 8/1/16 and California raised their state cigarette tax by \$2.00 per pack effective 4/1/17. Revenue data from these tax increases is not yet available

Significant Tobacco Tax Increases Work

- In Minnesota, in the year immediately following the state's \$1.60 per pack cigarette tax increase in 2013, revenues increased by more than \$204 million, pack sales declined by 54.6 million packs, and adult and youth smoking rates were showing sharp reductions in the state.ⁱⁱⁱ At the time, this cigarette tax increase of \$1.60 per pack was tied for the highest single cigarette tax rate increase ever implemented by a state in the U.S., and when it went into effect in 2013, Minnesota shared a border with two states whose cigarette tax was in excess of \$1.00 per pack less (Iowa and South Dakota) and one state whose cigarette tax rate was more than \$2.00 less (North Dakota).

ⁱ Campaign for Tobacco-Free Kids. Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking) Fact Sheet. Updated January 12, 2018 Available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>

ⁱⁱ *Ibid*

ⁱⁱⁱ A February 12, 2015 op-ed by Boyle R, Chaloupka F, and Mattson L. appearing in *MinnPost*. Available at: <https://www.minnpost.com/community-voices/2015/02/facts-are-minnesotas-2013-tobacco-tax-increase-improving-health> Accessed December 14, 2017. See also: Mattson, L, Chaloupka, F., and Boyle, R. Get the Facts: Minnesota's 2013 Tobacco Tax Increase is Improving Health. February 10, 2015. https://tobacconomics.org/wp-content/uploads/2015/02/Minnesota-2013-Tobacco-Tax-White-Paper_10Feb15.pdf

Effective Taxation of Cigarettes and Other Tobacco Products



The American Cancer Society Cancer Action Network (ACS CAN) supports a comprehensive approach to tobacco control that includes regular, significant excise tax increases of \$1.00 or more per pack of cigarettes to effectively reduce the number of people who begin smoking and increase the number of people who quit. Taxing other tobacco products at rates equivalent to the tax on cigarettes also helps prevent tobacco initiation among youth and promotes tobacco cessation among adults. Tax increases work best when tax revenues provide sustained funding for tobacco control programs that include hard-hitting earned and paid media campaigns, and evidence-based cessation services.

Taxing Cigarettes: By the Pack

All states currently have an excise tax on cigarettes at a rate per cigarette or per pack. In tax administration terms, this tax basis is known as a specific tax. In fact, since 2000, 48 states and the District of Columbia have increased their cigarette tax rates more than 140 times, always as a specific tax.ⁱ

According to the U.S. National Cancer Institute and World Health Organization, a specific tax on cigarettes better achieves public health objectives than an ad valorem excise tax because it increases retail prices of all products subject to the tax and does not perpetuate or increase price gaps between brands. Narrowing price gaps reduces consumers' incentives to change from higher-priced to lower-priced brands or to other tobacco products.ⁱⁱ

Furthermore, specific taxes on cigarettes are easy to administer because cigarettes are uniform in their structure and packaging. Also important, specific taxes provide a more predictable revenue stream.

States that are interested in having cigarette taxes keep pace with inflation in real dollar terms can institute an inflation-based annual adjustment if they so choose, but these minor tax adjustments should not be in lieu of regular and significant cigarette tax increases of \$1.00 or more per pack. Tax revenue from ad valorem-based inflation increases would be (at best) pennies on the dollar which do not deter youth tobacco use, and they don't encourage those who currently smoke to quit.

States should retain their current per-pack structural approach to taxing cigarettes. Switching the cigarette tax to a percent-of-price tax would produce the unintended consequence of creating larger price gaps between brands, resulting in a category of very low-cost cigarettes that appeal to youth, and furthermore encourage people who smoke cigarettes to simply switch to cheaper products rather than quit.

Additionally, changing the taxation on cigarettes to a price-based tax could add administrative complexity to efficient and effective enforcement of the Master Settlement Agreement as payments are based in part on tracking the quantity of cigarette sales and shipments which is easily tracked with a per-pack tax.

Taxing Other Tobacco Products: By Price

To maximize health and revenue gains, simplify tax collections, and make many dangerous and addictive products that are attractive to kids cost prohibitive, ad valorem excise taxes should be assessed on other tobacco products. Taxing other tobacco products at a percent of the retail, manufacturer or wholesale price, with an accompanying minimum tax equal to the state's per-pack cigarette tax rate is the optimal way to tax these products. Instituting a minimum tax rate will reduce price gaps between tobacco products.ⁱⁱⁱ

Other tobacco products, including chewing tobacco, cigars, hookah and e-cigarettes, vary widely in their structure and packaging unlike cigarette packs. This lack of uniformity makes an effective per-pack tax difficult to assess and collect on these types of products.

Excise Taxes are either "specific" or "ad valorem"

- A **specific excise tax** is a fixed monetary amount per quantity, volume, or weight of tobacco (or a combination of these).
- An **ad valorem excise tax** is a percentage of some measure of the value of tobacco products; retail, manufacturer, or wholesale prices are often used as the base value.

Tobacco companies favor weight-based or volume-based taxes on tobacco products to keep the price of their products cheaper for consumers. A weight-based or volume-based tax will not keep up with inflation or product price increases. As a result, a weight-based or volume-based tax will erode over time, bringing states lower revenue than percentage-of-price taxes.^{iv} Taxing tobacco products by weight or volume is administratively complex, requiring independent verification of the quantity of taxable contents. Also, weight-based or volume-based taxes incentivize tax avoidance by tobacco manufacturers which could simply reduce the weight or change the composition of the product to keep the overall price low.

The Bottom Line

Establishing a specific tax on cigarettes and a percent-of-price tax on other tobacco products will optimize the health, revenue collection, and enforcement aspects of the policy. ACS CAN supports regular and significant excise tax increases on all tobacco products. Ensuring that tobacco tax increases are equally applied across all product categories will maximize the health and revenue benefits of the tax increase. ACS CAN opposes tobacco industry attempts to complicate tax collection efforts by taxing cigarettes at a percent-of-price or by taxing other tobacco products by weight or volume. To further amplify health the benefits of the tax, ACS CAN also recommends that new tobacco tax revenues be directed to evidence-based tobacco prevention and cessation programs in accordance with CDC best practices.^v

ⁱ Campaign for Tobacco-Free Kids. Cigarette Tax Increases by State per Year 2000-2018 Factsheet available at: <https://www.tobaccofreekids.org/assets/factsheets/0275.pdf>. Accessed May 2, 2019.

ⁱⁱ U.S. National Cancer Institute and World Health Organization. The Economics of Tobacco and Tobacco Control. National Cancer Institute Tobacco Control Monograph 21. NIH Publication No. 16-CA-8029A. Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization; 2016. Section 3: Price Determinants of Demand: Chapter 5: Design and Administration of Taxes on Tobacco Products. https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21_5.pdf. Accessed March 15, 2019.

ⁱⁱⁱ Tobacco Control Legal Consortium. State Taxation of Non-Cigarette Tobacco Products. Last updated February 2012. Factsheet available at: <https://www.publichealthlawcenter.org/sites/default/files/resources/tclc-guide-state-tax-OTP-2012.pdf>. Accessed March 15, 2019.

^{iv} Campaign for Tobacco-Free Kids. The Best Way to Tax Smokeless Tobacco: A Simple Weight-Based Tax Hurts State Revenues and Increases Youth Use. Washington, DC: Campaign for Tobacco-Free Kids; 2008.

^v Centers for Disease Control and Prevention. Best Practices for Comprehensive Tobacco Control Programs—2014. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

The Impact of Tobacco Tax Increases on Low-Income Populations



Significantly increasing the price of tobacco is an important component of a comprehensive approach to reducing tobacco use.ⁱ Tobacco tax increases are endorsed by the U.S. Surgeon General as a highly effective strategy for reducing tobacco use through higher tobacco prices.ⁱⁱ

Current low tobacco prices continue to incentivize smoking for low-income and other vulnerable populations, causing these groups to shoulder a disproportionate share of the real cost of tobacco use. **In response to tobacco tax increases, low-income populations quit smoking at higher rates than higher income populations.**ⁱⁱⁱ The tobacco industry likes to negatively characterize the impact of higher tobacco taxes on low-income populations.

The real cost of smoking and other tobacco use to low socio-economic populations includes:

- **Medical and social costs** borne by individuals and families for treating higher rates of tobacco-related disease, including significantly increased risk for deadly and debilitating chronic diseases including cancer, heart disease, and lung disease such as emphysema and COPD; and
- **Lost productivity** for both employees and their employers who are faced with an individual's quality years of life lost and employee time spent not working due to tobacco-related illness.

This type of tobacco industry “spin” misses the real point of tobacco tax increases: reducing smoking, saving lives and preventing tobacco-related disease. In fact, the tobacco industry has a long and well-documented history of targeting racially diverse and low-income populations with discounts and promotions of its deadly and addictive products.^{iv,v,vi}

The truth is that low-income populations are more likely to quit in response to regular and significant tobacco tax increases.^{vii} Similarly, low-income populations also disproportionately reap the health and financial benefits of reduced smoking. Research has determined that 46% of the lives saved due to smoking reductions attributable to the 2009 federal tobacco tax increase were enjoyed among those below the poverty line, even though this group paid just 12% of the tax increase.^{viii}

Tobacco tax increases can reduce health-related disparities when more low-income smokers quit.^{ix,x,xi} Health disparities stemming from tobacco use further contribute to other economic and social disparities when the high cost of cancer, heart disease, lung disease, and other chronic illness is considered. In *The Economic and Health Benefits of Tobacco Taxation*, the World Health Organization stated, “all the evidence shows that poorer tobacco consumers are far more responsive to increases in price than higher income consumers, and therefore benefit the most in terms of avoiding death and disease associated with tobacco use.”^{xii}

Tobacco tax increases produce reliable sources of new, recurring revenue that can fund state tobacco control programs and other health programs that directly benefit low-income populations. The health impact of tobacco tax increases can be magnified by utilizing the revenue from tax increases to help fund state tobacco prevention and cessation programs that provide resources to further support those trying to quit.

Tobacco tax increases are a public health intervention that works to reduce the real cost of smoking for both current and future populations. Tobacco tax increases reduce current tobacco use among adult smokers and prevent future youth use. Young people are 2 to 3 times more likely than adults to reduce tobacco consumption as a result of a tobacco price increase.^{xiii} And the prevention benefits extend to future generations who grow up in tobacco-free households.

Tobacco tax increases give current and future tobacco users essentially a “tax cut” when they help people quit.

Reducing tobacco use saves a lot of money beyond the retail cost of cigarettes, with additional savings occurring in terms of preventing the health and social damages that figure prominently in the real cost of tobacco use.

ⁱ Centers for Disease Control and Prevention (CDC). Best Practices for Comprehensive Tobacco Control Programs—2014. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

ⁱⁱ U.S. Department of Health and Human Services. The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. Printed with corrections, January 2014.

ⁱⁱⁱ U.S. National Cancer Institute (NCI) & World Health Organization (WHO), *The Economics of Tobacco and Tobacco Control*, National Cancer Institute Tobacco Control Monograph 21, NIH Publication No. 16-CA-8029A, Bethesda, MD: HHS, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization; 2016, https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21_complete.pdf.

^{iv} U.S. Department of Health and Human Services. Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General. Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2012.

^v Brown-Johnson, CG, England, LJ, Glantz, SA, and Ling, PM. Tobacco industry marketing to low socio-economic status women in the U.S. *Tob Control*, 23(0): e139–e146, 2014.

^{vi} Siahpush, M, Farazi, P, Kim, J, Michaud, T, Yoder, A, Soliman, G, Tibbits, Nguyen, M, Shaikh, R. Social disparities in exposure to point-of-sale cigarette marketing. *Int J of Environ Res Public Health*, 13(12): 1263, 2016.

^{vii} International Agency for Research on Cancer, “Tax, price and tobacco use among the poor,” Effectiveness of Tax and Price Policies for Tobacco Control, IARC Handbook of Cancer Prevention Volume 14, 2011.

^{viii} Chaloupka FJ. The science behind tobacco taxation, presented Aug. 16, 2012 at the National Conference on Tobacco or Health, Kansas City, MO. See also Center for Budget and Policy Priorities, Higher tobacco taxes can improve health and raise revenue: <http://www.cbpp.org/research/higher-tobacco-taxes-can-improve-health-and-raise-revenue>.

^{ix} U.S. National Cancer Institute and World Health Organization. *The Economics of Tobacco and Tobacco Control*. National Cancer Institute Tobacco Control Monograph 21. NIH Publication No. 16-CA-8029A. Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization, 2016.

^x CDC, 2014

^{xi} Center for Public Health Systems Science. Pricing Policy: A Tobacco Control Guide. St. Louis, MO: The Center for Public Health Systems Science at the Brown School at Washington University in St. Louis and the Tobacco Control Legal Consortium; 2014.

^{xii} WHO, The Economic and Health Benefits of Tobacco Taxation, 2015, http://apps.who.int/iris/bitstream/10665/179423/1/WHO_NMH_PND_15.6_eng.pdf?ua=1&ua=1.

^{xiii} U.S. Centers for Disease Control and Prevention. A factsheet entitled “Economic trends in tobacco” https://www.cdc.gov/tobacco/data_statistics/fact_sheets/economics/econ_facts/. Accessed Jan 10 2017.

Lower Tobacco Taxes: Dangerous for Public Health



Tobacco is an addictive and deadly product and tobacco use remains the nation's number one cause of preventable death. Cigarette smoking and exposure to secondhand smoke cause approximately one out of every five deaths in the U.S., more than 480,000 premature deaths each year.^{i,ii} This includes at least 28 percent of all cancer deathsⁱⁱⁱ and 80 percent of lung cancer deaths.^{iv} The Surgeon General projects that without further action, 5.6 million youth age 0-17 alive today will die prematurely from smoking.^v

Despite the health risks, current rates of tobacco use remain high. After years of decline, in 2018 we saw an increase in tobacco use among youth. Largely due to the youth e-cigarette epidemic, the overall rate of tobacco use among high school students increased to 27.1 percent.^{vi}

Increasing tobacco taxes is one of the most effective ways to reduce tobacco use, especially among kids, and tobacco companies know it. Lowering the tax, and therefore the price of tobacco products is one major way for the tobacco industry to protect their bottom line, addict people with cheap products, and keep them addicted. Tobacco companies have violated civil racketeering laws and defrauded the American people by lying for decades about the health effects of smoking, manipulating their products to make them more addicting, marketing to children, and more. Letting tobacco companies draft the solution to reduce tobacco use is shortsighted.

What is a Modified Risk Tobacco Product?

The Tobacco Control Act, granting the Food and Drug Administration (FDA) authority over tobacco products, includes a provision that requires a tobacco product manufacturer to receive a marketing order before they can make a modified risk claim about that tobacco product. The reason for this provision is because the industry has lied for decades about the harm of their products. Now, a tobacco product manufacturer must prove that their product, when actually used by consumers, will benefit the health of the population, both users and nonusers, before they can make any such modified risk claim.

- The U.S. Food and Drug Administration (FDA) can authorize marketing of a modified risk tobacco product if the application demonstrates that the product will benefit the health of the population.
- Any action at the state or local level to regulate so-called modified risk tobacco products differently from cigarettes and other tobacco products (OTPs) is premature.
- Modified risk does not mean "safe." All tobacco products have health harms.
- Lowering taxes on any tobacco product reduces state tax revenue.
- States should not change state tobacco control laws to accommodate any new product marketing claims.

ACS CAN's Position

The American Cancer Society Cancer Action Network (ACS CAN) calls on lawmakers to reject any attempts to reduce or eliminate taxes on any tobacco products. ACS CAN supports a comprehensive approach to tobacco control that includes regular and significant increases in the excise taxes on **all** forms of tobacco, fully funding effective tobacco prevention and cessation programs, and creating 100% smoke-free environments. Significant tobacco tax increases:

- **Save Lives:** Regular, significant tax increases of \$1.00 or more per pack of cigarettes reduce the number of people who begin smoking and increase the number of smokers who quit. It is important to increase the taxes on other tobacco products (OTPs) to an equivalent rate to produce a meaningful reduction in tobacco consumption and tobacco-related disease and death. All OTPs should be taxed at the same rate as cigarettes to encourage people who smoke to quit.
- **Reduce Health Care Costs:** Lower tobacco use rates translate into fewer tobacco-related cancers and premature deaths, reduced spending on tobacco-related health problems, and more productive workers.
- **Generate Revenue:** Substantial increases in cigarette tax rates generate new revenue.^{vii}

ACS CAN urges lawmakers to protect kids, not Big Tobacco's profits and oppose efforts to reduce or eliminate taxes on any tobacco products, including on so-called "modified risk products." Instead, look to proven solutions that support public health and the health of state budgets.

ⁱ U.S. Department of Health and Human Services (HHS). *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.

ⁱⁱ CDC. QuickStats: Number of Deaths from 10 Leading Causes — National Vital Statistics System, United States, 2010. *MMWR* 2013; 62(8): 155.

ⁱⁱⁱ Islami F, Goding Sauer A, Miller KD, Siegel RL, Fedewa SA, Jacobs EJ, McCullough ML, Patel AV, Ma J, Soerjomataram I, Flanders WD. Proportion and Number of Cancer Cases and Deaths Attributable to Potentially Modifiable Risk Factors in the United States. *CA: A Cancer Journal for Clinicians*. 2018 Jan 1;68(1):31-54.

^{iv} American Cancer Society. *Cancer Facts & Figures, 2017*. Atlanta, GA: American Cancer Society, 2017.

^v HHS, 2014.

^{vi} *Vital Signs: Tobacco Product Use Among Middle and High School Students — United States, 2011–2018*. *Morbidity and Mortality Weekly Report* 2019;68:157–164.

^{vii} Campaign for Tobacco-Free Kids. Raising State Cigarette Taxes Always Increases State Revenues (And Always Reduces Smoking) Fact Sheet. Updated June 7, 2017 Available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.



STATE CIGARETTE TAX RATES & RANK, DATE OF LAST INCREASE, ANNUAL PACK SALES & REVENUES, AND RELATED DATA

48 states and the District of Columbia have implemented or passed 138 cigarette tax rate increases since January 1, 2002, with 35 of those states and DC passing more than one increase during that time period. The states in red last increased their tax in 2009 or earlier. As time passes, inflation erodes the real value of state tobacco tax rates and revenues, as they account for increasingly small portions of the total retail price of a pack of cigarettes. Cigarette tax increases can quickly restore state tobacco tax revenues to historical levels or higher – while also reducing state smoking levels and related costs and saving lives.

Average State Cigarette Tax: \$1.81 per pack

State	Cigarette Tax Per Pack	National Rank (1 = high)	Date of Last State Tax Increase	FY 2018 Cigarette Pack Sales (millions)	FY 2018 Cigarette Tax Revenue (millions)	Retail Price Per Pack With All Taxes	State Smoking Costs Per Pack Sold	Youth Smoking Rate	Adult Smoking Rate	Adult Smoking Rank (1=low)
<i>All State Avg/Total</i>	\$1.81	///	///	11.6 billion	\$17.2 billion	\$6.64	\$19.16	5.8%	13.7%	///
Alabama	\$0.675	41st	10/1/2015	266.7	\$172.1	\$5.44	\$10.87	14.0%	19.2%	41st
Alaska	\$2.00	17th	7/1/2007	23	\$45.7	\$9.09	\$9.56	10.9%	19.1%	39th
Arizona	\$2.00	17th	12/8/2006	153.2	\$272.4	\$7.63	\$14.17	7.1%	14.0%	12th
Arkansas	\$1.15	35th	3/1/2009	150.9	\$164.3	\$6.13	\$11.69	13.7%	22.7%	49th
California	\$2.87	11th	4/1/2017	657.7	\$1,882.0	\$8.31	\$18.29	2.0%	11.2%	2nd
Colorado	\$0.84	39th	1/1/2005	180.2	\$149.9	\$5.82	\$10.11	7.0%	14.5%	14th
Connecticut	\$4.35	2nd	12/1/2017	85.5	\$354.6	\$10.00	\$17.32	3.5%	12.2%	4th
Delaware	\$2.10	15th	9/1/2017	61.8	\$117.1	\$6.68	\$4.94	6.2%	16.5%	28th
Washington, DC	\$4.50	1st	10/1/2018	9	\$26.2	\$9.87	\$26.70	12.5%	13.8%	11th
Florida	\$1.339	31st	7/1/2009	805.9	\$1,058.0	\$6.21	\$12.28	3.6%	14.5%	14th
Georgia	\$0.37	49th	7/1/2003	476.4	\$171.1	\$5.30	\$10.93	7.7%	16.1%	26th
Hawaii	\$3.20	6th	7/1/2011	34.6	\$110.8	\$9.52	\$13.09	8.1%	13.4%	8th
Idaho	\$0.57	45th	6/1/2003	64.8	\$35.7	\$5.61	\$9.51	9.1%	14.7%	17th
Illinois	\$2.98	10th	7/1/2019	362.4	\$705.6	\$8.79	\$13.40	7.6%	15.5%	21st
Indiana	\$0.995	38th	7/1/2007	388.6	\$375.9	\$5.75	\$9.16	8.7%	21.1%	48th
Iowa	\$1.36	30th	3/15/2007	135.3	\$180.7	\$6.35	\$9.74	5.6%	16.6%	29th
Kansas	\$1.29	33rd	7/1/2015	97	\$124.3	\$6.44	\$14.12	7.2%	17.3%	31st
Kentucky	\$1.10	36th	7/1/2018	363.5	\$217.1	\$5.60	\$6.14	14.3%	23.4%	50th
Louisiana	\$1.08	37th	4/1/2016	250.9	\$257.6	\$5.83	\$10.68	12.3%	20.5%	44th
Maine	\$2.00	17th	9/19/2005	60.7	\$119.1	\$7.13	\$14.05	8.7%	17.8%	33rd
Maryland	\$2.00	17th	1/1/2008	167.3	\$331.6	\$6.95	\$16.85	8.2%	12.6%	5th
Massachusetts	\$3.51	5th	7/31/2013	157.8	\$552.4	\$9.98	\$23.61	6.4%	13.4%	8th
Michigan	\$2.00	17th	7/1/2004	423.6	\$834.5	\$6.78	\$12.65	10.5%	18.9%	37th
Minnesota	\$3.04	8th	1/1/2017	145.8	\$525.5	\$9.41	\$10.72	9.6%	15.1%	19th
Mississippi	\$0.68	40th	5/15/2009	168.0	\$108.9	\$5.47	\$10.14	6.9%	20.5%	44th
Missouri	\$0.17	51st	10/1/1993	460.5	\$75.9	\$4.91	\$9.22	9.2%	19.4%	42nd
Montana	\$1.70	25th	1/1/2005	39.1	\$67.4	\$6.46	\$11.11	7.7%	18.0%	34th
Nebraska	\$0.64	42nd	10/1/2002	83.2	\$52.3	\$5.48	\$11.68	7.4%	16.0%	25th
Nevada	\$1.80	23rd	7/1/2015	94.8	\$170.2	\$7.02	\$10.80	6.7%	15.7%	24th
New Hampshire	\$1.78	24th	8/1/2013	112.0	\$200.2	\$6.39	\$6.14	7.8%	15.6%	22nd

State	Cigarette Tax Per Pack	National Rank (1 = high)	Date of Last State Tax Increase	FY 2018 Cigarette Pack Sales (millions)	FY 2018 Cigarette Tax Revenue (millions)	Retail Price Per Pack With All Taxes	State Smoking Costs Per Pack Sold	Youth Smoking Rate	Adult Smoking Rate	Adult Smoking Rank (1=low)
New Jersey	\$2.70	12th	7/1/2009	232.6	\$627.1	\$7.85	\$18.93	4.7%	13.1%	7th
New Mexico	\$2.00	17th	7/1/2019	49.2	\$81.5	\$7.07	\$16.95	10.6%	15.2%	20th
New York	\$4.35	2nd	7/1/2010	247.7	\$1,073.6	\$10.47	\$26.54	4.8%	12.8%	6th
North Carolina	\$0.45	47th	9/1/2009	546.5	\$245.8	\$5.32	\$8.68	12.1%	17.4%	32nd
North Dakota	\$0.44	48th	7/1/1993	47.5	\$20.9	\$5.36	\$12.69	12.6%	19.1%	39th
Ohio	\$1.60	27th	7/1/2015	554.6	\$871.5	\$6.55	\$11.13	8.5%	20.5%	44th
Oklahoma	\$2.03	16th	7/1/2018	228.2	\$232.6	\$6.96	\$9.23	12.5%	19.7%	43rd
Oregon	\$1.33	32nd	1/1/2018	154.0	\$203.3	\$6.14	\$13.52	7.7%	15.6%	22nd
Pennsylvania	\$2.60	13th	8/1/2016	484.3	\$1,260.8	\$8.51	\$13.97	8.7%	17.0%	30th
Rhode Island	\$4.25	4th	8/16/2017	33.3	\$136.4	\$10.15	\$16.04	6.1%	14.6%	16th
South Carolina	\$0.57	45th	7/1/2010	266.6	\$146.8	\$5.42	\$9.28	10.0%	18.0%	34th
South Dakota	\$1.53	28th	1/1/2007	35.0	\$53.5	\$6.50	\$11.47	10.1%	19.0%	38th
Tennessee	\$0.62	43rd	7/1/2007	375.8	\$228.4	\$5.39	\$10.54	9.4%	20.7%	47th
Texas	\$1.41	29th	1/1/2007	824.5	\$1,172.0	\$6.37	\$12.04	11.3%	14.4%	13th
Utah	\$1.70	25th	7/1/2010	53.1	\$89.4	\$6.75	\$9.33	3.8%	9.0%	1st
Vermont	\$3.08	7th	7/1/2015	20.5	\$61.6	\$8.85	\$12.16	9.3%	13.7%	10th
Virginia	\$0.30	50th	7/1/2005	471.8	\$139.0	\$5.54	\$7.59	6.5%	15.0%	18th
Washington	\$3.025	9th	5/1/2010	119.4	\$356.7	\$8.58	\$19.39	5.0%	12.0%	3rd
West Virginia	\$1.20	34th	7/1/2016	137.5	\$158.4	\$6.14	\$10.82	14.4%	25.2%	51st
Wisconsin	\$2.52	14th	7/1/2009	215.5	\$538.9	\$7.72	\$11.54	4.7%	16.4%	27th
Wyoming	\$0.60	44th	7/1/2003	29.2	\$16.5	\$5.40	\$14.80	15.7%	18.8%	36th
USA/U.S. Gov't	\$1.01	///	4/1/2009	12.0 billion	\$12.1 billion	\$6.17	\$19.16	5.8%	13.7%	///

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*, 2018. U.S. Alcohol and Tobacco Tax and Trade Bureau (TTB), *Tobacco Statistics*. From the start of 1998 through 2002, the major cigarette companies increased their prices by more than \$1.25 per pack. State averages do not include U.S. territories. Taxed Pack Sales include all cigarette sales on which cigarette taxes were collected. Total USA pack sales include sales of cigarettes on which federal but not state taxes are collected (e.g., sales to Indian Tribes and military bases) and includes sales in Puerto Rico and other U.S. territories not listed above. State cigarette tax revenues are net values. The retail price per pack includes all federal and statewide excise and sales taxes but not any purely local taxes (except that NY City's \$1.50 per pack tax is factored into the overall NY State price per pack), and is based on data from *The Tax Burden on Tobacco*, 2017, reports of state cigarette tax increases, reports on tobacco company price changes, and USDA Economic Research Service. The price per pack data have been adjusted for retailer-based discounts, promotions, coupons, as well as local policies that affect pack prices and tobacco company price increases since prices were last reported. AK, DE, MT, NH & OR have no state sales tax; OK has a state sales tax, but does not apply it to cigarettes; MN & DC apply a per-pack sales tax at the wholesale level; and AL, GA & MO do not apply their sales tax to the portion of retail cigarette prices that is the state's cigarette excise tax. State smoking costs per pack sold = Estimates of state smoking-caused health costs and lost productivity per taxed packs sold in each state in 2001, as reported in U.S. Centers for Disease Control and Prevention's (CDC) *State Highlights 2006*, adjusted to 2009 dollars with the same methodology used by CDC. See also, U.S. General Accounting Office (GAO), "CDC's April 2002 Report on Smoking: Estimates of Selected Health Consequences of Cigarette Smoking Were Reasonable," letter to U.S. Rep. Richard Burr, July 16, 2003, <http://www.gao.gov/new.items/d03942r.pdf>. National per-pack smoking costs in 2010 dollars, using cost data from Xu, X et al., "Annual Healthcare Spending Attributable to Cigarette Smoking: An Update," *Am J Prev Med*, 2014 and pack sales data from TTB's *Tobacco Statistics*. Youth Smoking. Youth smoking rates most recent available; national youth rate from the 2019 National Youth Tobacco Survey; state rates in bold type from the Youth Risk Behavior Survey; in italics from state-specific surveys; and in regular type from Youth Tobacco Surveillance. OR data are for 11th grade only. WA data are for 10th grade only. Because of different surveys and years, youth-smoking rankings cannot be calculated. *Adult Smoking*. State rates from CDC, 2018 Behavioral Risk Factor Surveillance System (BRFSS); National rate from CDC, "Tobacco Product Use and Cessation Indicators Among Adults — United States, 2018," *MMWR* 68(45):1013-1019, November 15, 2019, <https://www.cdc.gov/mmwr/volumes/68/wr/pdfs/mm6845a2-H.pdf>.

For the Record: Pushing Cigarettes is (Still) Big Business for Big Tobacco



Nothing New: The Tobacco Industry's False Claims of Corporate Responsibility

Tobacco companies haven't changed. Despite decades of false and misleading claims of caring about people's health, the industry's product manufacturing, marketing, and lobbying efforts continue to provide evidence to the contrary.

- The cigarettes being sold today are deadlier than ever: the U.S. Surgeon General concluded in 2014 that people who smoke now have a much higher risk of lung cancer and chronic obstructive pulmonary disease (COPD) than they did 50 years ago, despite smoking fewer cigarettes.ⁱ
- Of the 12-plus billion cigarette packs sold in 2017 in the U.S., four companies—Philip Morris USA, Reynolds American Inc., ITG Brands, and Liggett—accounted for about 92% of U.S. sales.ⁱⁱ
- Big Tobacco continues to oppose established best practices that are proven to reduce smoking and other tobacco use, including efforts to block or derail federal regulatory efforts, significant tobacco tax increases on all tobacco products, comprehensive smoke-free and tobacco-free laws, and funding and implementation of evidence-based tobacco prevention and cessation programs.
- In the 2018 election cycle, major tobacco companies and their allies spent nearly \$24 million dollars to oppose cigarette tax increases that appeared on the ballot in Montana and South Dakota in an effort to reduce smoking and save lives.^{iii iv}

Cigarettes are Still the Leading Cause of Preventable Death in the U.S.

While legitimate tobacco control efforts by the public health community have made significant gains in recent decades, despite tobacco industry interference, cigarette sales in the U.S. continue in staggering and unacceptable numbers

- Cigarette smoking remains the number one cause of preventable disease and death in the U.S, killing more than 480,000 people each year.^v
- For every 1 person who dies from smoking, 30 live with a serious smoking-related illness.^{vi}
- Smoking causes about 9 out of 10 lung cancer deaths and is known to cause at least 12 different major types of cancer.^{vii} Overall, smoking is responsible for nearly one-third of all cancer deaths in the U.S.^{viii}



Big Tobacco Continues to Invest Heavily in Cigarette Promotions

Any myths that tobacco companies are suddenly now interested in public health are clearly dispelled by government records that track the industry's product marketing and promotional expenditures. Following the money, we find:

- Domestic cigarette advertising and promotional expenses for the largest cigarette manufacturers in the U.S. totaled approximately \$8.637 billion in 2017. ^x
- Spending by the largest tobacco companies on price discounts paid to retailers and wholesalers increased to \$6.189 and \$1.195 billion respectively in 2017 from \$5.806 and \$1.441 billion in 2016.^{xi}

Big Tobacco Continues to Attract Kids at Alarming Numbers

Major tobacco companies market cigarettes that are the leading favorites among kids. This cycle of youth-oriented marketing has perpetuated the tobacco epidemic in the U.S. for decades, addicting new generations of young people.

- The three most heavily advertised cigarette brands—Marlboro, Newport, and Camel—continue to be the preferred brands of cigarettes smoked by young people.^{xii}
- Major tobacco companies are devising innovative ways of attracting new, young customers to cigarettes, with companies like Altria touting new Marlboro products, brand promotions, social media engagement platforms, and points/rewards programs with the stated goal of “increasing its digital leadership, brand engagement and Marlboro's already strong brand equity and loyalty.”^{xiii}
- Each day, among kids 17 years of age and younger, more than 2,000 smoke their first cigarette, and 300 become daily cigarette smokers.^{xiv}
- If smoking continues at the current rate among youth in this country, 5.6 million of today's Americans younger than 18 will die early from a smoking-related illness. That's about 1 of every 13 Americans aged 17 years or younger alive today.^{xv}

The Solution

The good news is that state and local governments can reduce tobacco use, save lives, and save money by implementing three proven solutions to the problem: 1) Fully funding evidence-based tobacco prevention and cessation programs 2) Regular and significant increases in tobacco taxes and 3) Implementing 100 percent smoke-free laws. Like a three-legged stool, each component works in conjunction with the others, and all three are necessary to overcome the tobacco epidemic. A 2013 study published in the *American Journal of Public Health* found that between 2002 and 2008, each of these measures separately contributed to declines in youth smoking and together they reduced the number of youth smokers by about 220,000. The study also found that states could achieve far greater gains if they more fully implemented these proven strategies. These policies are also effective in helping tobacco users to quit.

ⁱ U.S. Department of Health and Human Services. [The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General](#). Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. Accessed October 31, 2018.

ⁱⁱ Maxwell JC. The Maxwell Report: Year End & Fourth Quarter 2017 Cigarette Industry. Richmond, VA: John C. Maxwell, Jr., 2018. As cited in: https://www.cdc.gov/tobacco/data_statistics/fact_sheets/economics/econ_facts/index.htm. Accessed October 31, 2018.

ⁱⁱⁱ Ballotpedia. Montana I-185, Extend Medicaid Expansion and Increase Tobacco Taxes Initiative (2018).

^{iv} Ballotpedia. South Dakota Initiated Measure 25, Tobacco Tax Increase Initiative (2018).

^v U.S. Department of Health and Human Services. [The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General](#). Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. Accessed October 31, 2018.

^{vi} Centers for Disease Control and Prevention. Web page entitled “Smoking and Tobacco Use / Health Effects” available at: https://www.cdc.gov/tobacco/basic_information/health_effects/index.htm. Accessed February 21, 2019.

^{vii} Centers for Disease Control and Prevention. Web page entitled “Smoking and Tobacco Use / Health Effects of Cigarette Smoking” available at: https://www.cdc.gov/tobacco/basic_information/health_effects/index.htm. Accessed February 21, 2019.

^{viii} Lortet-Tieulent J, Goding Sauer, A, Siegel, RL, Miller, KD, Islami, F, Fedewa, SA, Jacobs, EJ, Jemal A. State-Level Cancer Mortality Attributable to Cigarette Smoking in the United States. *JAMA Internal Medicine*. Published online October 24, 2016.

^{ix} Campaign for Tobacco-Free Kids. State Cigarette Tax Rates & Rank, Date of Last Increase, Annual Pack Sales & Revenues, and Related Data <https://www.tobaccofreekids.org/assets/factsheets/0099.pdf> [accessed Feb 20, 2019]

^x U.S. Federal Trade Commission (FTC), Cigarette Report for 2017, 2019, https://www.ftc.gov/system/files/documents/reports/federal-trade-commission-cigarette-report-2017-federal-trade-commission-smokeless-tobacco-report/ftc_cigarette_report_2017.pdf

^{xi} Ibid

^{xii} Centers for Disease Control and Prevention. Perks SN, Armour B, Agaku IT. Cigarette Brand Preference and Pro-Tobacco Advertising Among Middle and High School Students — United States, 2012–2016. *MMWR* 2018;67:119–124. Available at: <https://www.cdc.gov/mmwr/volumes/67/wr/pdfs/mm6704a3-H.pdf>

^{xiii} As quoted in Altria Q3 2018 investor earnings call: <https://seekingalpha.com/article/4214461-altria-group-q3-2018-results-earnings-call-transcript> [accessed 2018 Oct 31].

^{xiv} Centers for Disease Control and Prevention. Web page entitled “Smoking & Tobacco Use / Fast Facts” available at: https://www.cdc.gov/tobacco/data_statistics/fact_sheets/fast_facts/index.htm. Updated February 6, 2019.

^{xv} Centers for Disease Control and Prevention. Web page entitled “Smoking & Tobacco Use / Youth and Tobacco Use” available at: https://www.cdc.gov/tobacco/data_statistics/fact_sheets/youth_data/tobacco_use/index.htm Accessed February 22, 2019.

Significant Tobacco Tax Increases Reduce Tobacco Use & Generate New Revenue, Despite Tobacco Industry Claims



According to the Institute of Medicine, the U.S. Surgeon General, and the World Health Organization, tobacco tax increases are a highly effective means of reducing tobacco use.^{i, ii, iii} Increasing the price of tobacco products through state excise tax increases improves health outcomes by preventing smoking initiation, promoting smoking cessation, and reducing the prevalence and intensity of tobacco use by teens and adults.^{iv, v, vi, vii, viii} In fact, tobacco companies have repeatedly admitted in their own corporate documents that tobacco taxes are a significant deterrent to youth consumption and an incentive to adult quitting and therefore pose a serious external threat to tobacco industry sales volumes and profits.^{ix, x, xi, xii}

When faced with mounting evidence that tobacco tax increases effectively reduce tobacco use, tobacco manufacturers will try to distract policymakers from the material facts by invoking dire warnings of reduced revenue due to increased illicit activity including widespread smuggling and other organized crime that they claim will result from increased taxes on cigarettes and other tobacco products.

The tobacco industry and its allies are being intellectually dishonest when they say tobacco tax increases will lead to reduced state revenues because of widespread cigarette smuggling or other black market activity. Consider the real facts: every state that has significantly increased its state cigarette tax has also boosted its state revenue, despite the beneficial declines in consumption resulting from the tax increase, and regardless of any related tax avoidance, tax evasion, or illicit activity.^{xiii}

The Tobacco Industry & Cigarette Smuggling

The tobacco industry has shown a historical interest in increased cigarette smuggling. Major multinational tobacco corporations including Philip Morris International, Japan Tobacco International, British American Tobacco, and RJ Reynolds have been implicated in various smuggling allegations in both Europe and North America. Some of these companies have plead guilty and been convicted of criminal violations, while others have chosen to settle lawsuits.^{xiv, xv} The tobacco industry's interest in cigarette smuggling is self-serving, particularly in light of the fact that the industry benefits from smuggling in the following ways:^{xvi}

- Tobacco companies get paid for products that enter the illegal distribution chain just the same as they do with their products sold through legal markets.
- Tobacco companies enjoy lower tobacco prices and increased demand as a result of smuggling.
- Tobacco companies know that low-income people are more likely to start smoking and less likely to quit as prices remain low.
- Tobacco companies often use the threat of increased smuggling to argue against increased excise taxes, leading to higher consumer demand in legal markets.

Who Benefits the Most from Cigarette Smuggling?

"Tobacco companies are among the main stakeholders benefiting from illicit cigarette trade. Smuggling helps these companies generate higher profits by enabling them to pay tobacco taxes in jurisdictions with lower levies, or to not pay taxes at all. It has been well documented that the tobacco industry's various business strategies to expand tobacco sales facilitated the illicit cigarette trade. Worldwide, transnational tobacco companies have been found guilty of organizing illicit tobacco trade, and have paid billions of dollars in fines and penalties in compensation."

Excerpted from *The Tobacco Atlas*, a publication of the American Cancer Society and the World Lung Foundation.

Tobacco companies typically overstate the illicit trade problem when it benefits them. Recent peer-reviewed research independent of tobacco industry influence estimates that a relatively small proportion (11.6%) of the global cigarette market is the result of some form of illicit trade.^{xvii} Estimates of the scope of the problem in the United States have similarly concluded that only a fraction of the 264 billion cigarettes consumed in the U.S. each year avoid taxes or evade taxes, using a variety of legal and illicit means.^{xviii} Apart from smuggling and tax avoidance, the tobacco industry and its allies often seek to generate concerns about cigarette counterfeiting operations. A 2016 analysis of recent data suggests that counterfeit and pirated goods of different types comprise 2.5% of the global imports market.^{xix} For Philip Morris International, the problem is comparatively smaller: the company reported to its own investors that only 0.22% -- less than one percent -- of the total global cigarette market was manufactured by illegal counterfeiters.^{xx} Because of the known health risks at stake, significant tobacco tax increases are urgently needed to help curb the strong consumer demand that drives the market for illicit trade, despite tobacco companies' opposition at various levels of government.^{xxi}

Less Demand, Less Illicit Trade

"The most effective way to reduce illicit trade is to reduce the demand for all tobacco products, legal or illicit."

Excerpted from *The Tobacco Atlas*, a publication of the American Cancer Society and the World Lung Foundation.

Common-sense measures are available to states to further minimize black market sales. Many options exist for state officials to crack down on cigarette smuggling and counterfeiting.^{xxii,xxiii} These recommended measures intended to minimize illicit activity are additionally advantageous because such actions may also help reinforce the positive health outcomes and decreased associated health care costs that are realized through reduced tobacco consumption.^{xxiv} States should be wary of tobacco industry efforts to block tobacco tax increases rather than the industry supporting stronger enforcement of new or existing tobacco tax policies that it knows will decrease tobacco consumption and save lives while maximizing state revenues.^{xxv}

Even large-scale tobacco tax increases are effective in reducing tobacco consumption while also generating new revenue, despite being surrounded by lower-tax states. In Minnesota, in the year immediately following the state's \$1.60 per pack cigarette tax increase in 2013, revenues increased by more than \$204 million, pack sales declined by 54.6 million packs, and adult and youth smoking rates were showing sharp reductions in the state.^{xxvi} At the time, this cigarette tax increase of \$1.60 per pack was tied for the highest single cigarette tax rate increase ever implemented by a state in the U.S., and when it went into effect in 2013, Minnesota shared a border with two states whose cigarette tax was in excess of \$1.00 per pack less (Iowa and South Dakota) and one state whose cigarette tax rate was more than \$2.00 less (North Dakota). While it is true that any tax evasion and smuggling that does occur will tend to reduce the ultimate extent of revenue gains, these types of illicit activities do not come close to eliminating all the new revenues or seriously impacting the health gains that are achieved when states increase tobacco taxes by significant amounts.^{xxvii}

A Call to Action

*"Governments should not heed tobacco industry threats of rising illicit trade as an excuse to postpone or avoid implementing strong tobacco control measures ... the **existence of illicit trade should never distract us from the critical job of implementing strong tobacco control policies and saving lives.**"*

Excerpted from *The Tobacco Atlas*, a publication of the American Cancer Society and the World Lung Foundation.

The truth is that we know tobacco tax increases work. Robust evidence now exists that tobacco tax increases produce major benefits from the health and revenue perspective.^{xxviii} Since the beginning of 2000, 48 U.S. states and the District of Columbia have passed more than 142 state cigarette tax increases.^{xxix} Additionally, tobacco users consistently seek increased help from state tobacco cessation quitlines in the weeks and months following significant cigarette tax increases.^{xxx,xxxi,xxxii,xxxiii} The tobacco industry cannot erase the historical truth and hard evidence that tobacco taxes save lives, save taxpayers money, and generate millions of dollars in predictable new revenue for states that consider the facts and are not swayed by tobacco industry deception.

- ⁱ Centers for Disease Control and Prevention. The health consequences of smoking — 50 years of progress: a report of the Surgeon General. Atlanta (GA): US Department of Health and Human Services; 2014.
- ⁱⁱ Institute of Medicine. Ending the tobacco problem: a blueprint for the nation. Washington (DC): The National Academies Press; 2007.
- ⁱⁱⁱ World Health Organization. WHO report on the global tobacco epidemic, 2008 — the MPOWER package. Geneva (CH): World Health Organization; 2008.
- ^{iv} Centers for Disease Control and Prevention. The health consequences of smoking — 50 years of progress: a report of the Surgeon General. Atlanta (GA): US Department of Health and Human Services; 2014.
- ^v Centers for Disease Control and Prevention. Preventing tobacco use among youth and young adults: a report of the Surgeon General. Atlanta (GA): US Department of Health and Human Services; 2012.
- ^{vi} Chaloupka FJ, Straif K, Leon ME; Working Group, International Agency for Research on Cancer. Effectiveness of tax and price policies in tobacco control. *Tobacco Control* 2011;20(3):235–8.
- ^{vii} International Agency for Research on Cancer. Effectiveness of tax and price policies for tobacco control. IARC handbooks of cancer prevention, Volume 14. Geneva (CH): International Agency for Research on Cancer; 2011
- ^{viii} Holmes CB, King BA, Babb SD. Stuck in neutral: stalled progress in statewide comprehensive smoke-free laws and cigarette excise taxes, United States, 2000–2014. *Preventing Chronic Disease* 2016;13:150409. DOI: <http://dx.doi.org/10.5888/pcd13.150409>. Accessed December 12, 2016.
- ^{ix} Philip Morris document. General Comments on Smoking and Health. Appendix I in The Perspective of PM International on Smoking and Health Initiatives, March 29, 1985, Bates No. 2023268329/8348.
- ^x Ellen Merlo, Senior Vice President of Corporate Affairs, Philip Morris, 1994 draft speech to the Philip Morris USA Trade Council, January 11, 1994, Bates No. 2022811708/1755.
- ^{xi} R.J. Reynolds Executive D. S. Burrows. Estimated Change in Industry Trend Following Federal Excise Tax Increase. September 20, 1982, Bates No. 501988846/8849.
- ^{xii} Philip Morris Executive Claude Schwab. Cigarette Attributes and Quitting. March 4, 1993, Bates No. 2045447810.
- ^{xiii} Campaign for Tobacco-Free Kids. Raising state cigarette taxes always increases state revenues (and always reduces smoking). Data source: Orzechowski & Walker 2014. Tax burden on tobacco, monthly data of gross tax revenues. Document available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>. Accessed November 22, 2016.
- ^{xiv} Joossens L, Gilmore A, Stoklosa M, Ross H. Assessment of the European Union's illicit trade agreements with the four major transnational tobacco companies. *Tobacco Control* 2016;25:25460. doi:10.1136/tobaccocontrol-2014-052218.
- ^{xv} Los Angeles Times. Tobacco Company Affiliate Pleads Guilty in Smuggling. <http://articles.latimes.com/1998/dec/23/news/mn-56927>. Accessed December 12, 2016.
- ^{xvi} Trust us - we're the tobacco industry, undated. Action on Smoking and Health and Campaign for Tobacco-Free Kids: <http://ftcalliance.com/wp-content/uploads/2014/03/Trust-Us-Were-The-Tobacco-Industry-Booklet.pdf>. Accessed November 21, 2016.
- ^{xvii} Joossens L et al. How eliminating the global illicit cigarette trade would increase tax revenue and save lives. Paris: The Union against tuberculosis and lung disease. 2009. As appearing in: WHO Technical Manual on Tobacco Tax Administration, Chapter 4: The political economy of tobacco taxation. World Health Organization. 2010.
- ^{xviii} Maxwell, JC Jr. Maxwell Report: Year end & fourth quarter 2014 Cigarette Industry. Richmond, VA, as reported in Preventing and Reducing Illicit Tobacco Trade in the United States, a publication of the U.S. Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office of Smoking and Health. December 2015. Available at: <https://www.cdc.gov/tobacco/stateandcommunity/pdfs/illicit-trade-report-121815-508tagged.pdf>. Accessed November 27, 2016.
- ^{xix} Trade in counterfeit and pirated goods: Mapping the economic impact. A report of the Office of Economic Co-operation and Development. April 2016. Report summary available at: <http://www.oecd.org/governance/trade-in-counterfeit-and-pirated-goods-9789264252653-en.htm>. Accessed November 22, 2016.
- ^{xx} Shafey O, Ross H, Schluger N, Islami F, Drope J. *The Tobacco Atlas*, a publication of the American Cancer Society and the World Lung Foundation. 5th edition. <http://www.tobaccoatlas.org/topic/illicit-cigarette-trade/>. Accessed November 22, 2016.
- ^{xxi} WHO Report on the Global Tobacco Epidemic 2015. Report available at: http://apps.who.int/iris/bitstream/10665/178574/1/9789240694606_eng.pdf?ua=1&ua=1. Accessed November 22, 2016.
- ^{xxii} Chaloupka F, Matthes Edwards S, Ross H, Diaz M, Kurti M, Xu X, Pesko M, Merriman D, Delong H. Preventing and Reducing Illicit Tobacco Trade in the United States, a publication of the U.S. Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office of Smoking and Health. December 2015. Available at: <https://www.cdc.gov/tobacco/stateandcommunity/pdfs/illicit-trade-report-121815-508tagged.pdf>. Accessed November 27, 2016.
- ^{xxiii} Campaign for Tobacco-Free Kids. State options to prevent and reduce cigarette smuggling and block other illegal state tobacco tax evasion. Document available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0274.pdf>. Accessed November 27, 2016.
- ^{xxiv} Chaloupka F, Matthes Edwards S, Ross H, Diaz M, Kurti M, Xu X, Pesko M, Merriman D, Delong H. Preventing and Reducing Illicit Tobacco Trade in the United States, a publication of the U.S. Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office of Smoking and Health. December 2015. Available at: <https://www.cdc.gov/tobacco/stateandcommunity/pdfs/illicit-trade-report-121815-508tagged.pdf>. Accessed November 27, 2016.
- ^{xxv} Ibid.
- ^{xxvi} A February 12, 2015 op-ed by Boyle R, Chaloupka F, and Mattson L. appearing in *MinnPost*. Available at: <https://www.minnpost.com/community-voices/2015/02/facts-are-minnesotas-2013-tobacco-tax-increase-improving-health>. Accessed November 27, 2016.

- ^{xxvii} Campaign for Tobacco-Free Kids. Raising state cigarette taxes always increases state revenues (and always reduces smoking). Data source: Orzechowski & Walker 2014. Tax burden on tobacco, monthly data of gross tax revenues. Document available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0098.pdf>. Accessed November 22, 2016.
- ^{xxviii} Frank J. Chaloupka, Ayda Yurekli, and Geoffrey T. Fong, "Tobacco Taxes as a Tobacco Control Strategy," *Tobacco Control*. 2012, 21 pp. 172-180.
- ^{xxix} Campaign for Tobacco-Free Kids. Cigarette tax increases by state per year 2000-2018. Document available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0275.pdf>.
- ^{xxx} Sheffer MA, Redmond LA, Kobinsky KH, Keller PA, McAfee T, Fiore MC. Creating a perfect storm to increase consumer demand for Wisconsin's Tobacco Quitline. *American Journal of Preventive Medicine*. 2010;38(3 Suppl):S 343-6.
- ^{xxxi} Harwell TS, Lee L, Haugland C, Wilson SM, Campbell SL, Holzman GS, et al. Utilization of a tobacco quit line prior to and after a tobacco tax increase. *Journal of Public Health Management and Practice*. 2007;13(6):637-41.
- ^{xxxii} Woods SS, Haskins AE. Increasing reach of quitline services in a U.S. state with comprehensive tobacco treatment. *Tobacco Control*. 2007;16 Suppl 1: i 33-6.
- ^{xxxiii} Keller PA, Greenseed LO, Christenson, M, Boyle RG, and Schillo BA. Seizing an opportunity: increasing use of cessation services following a tobacco tax increase. *BMC Public Health* 2015; 15:354

More Funding for Tobacco Prevention & Cessation Programs is Still Needed



Tobacco is an addictive and deadly product and tobacco use remains the nation's number one cause of preventable death. Cigarette smoking and exposure to secondhand smoke cause approximately one out of every five deaths in the U.S., more than 480,000 premature deaths each year.^{i,ii} This includes at least 28% of all cancer deathsⁱⁱⁱ and 80% of lung cancer deaths.^{iv} The Surgeon General projects that without further action, 5.6 million youth age 0-17 alive today will die prematurely from smoking.^v

Despite the health risks, current rates of tobacco use remain high. After years of decline, in 2018 we saw an increase in tobacco use among youth. Largely due to the youth e-cigarette epidemic, the overall rate of tobacco use among high school students increased to 27.1% nationwide.^{vi} At the same time, progress on previously declining youth use of other tobacco products, including cigarettes and cigars, has stalled.

Unfortunately, many young people who use tobacco do not identify the type they use as a tobacco product or do not identify the tobacco product as harmful.^{vii}

It's imperative that steps are taken to ensure programs are in place to protect the next generation from a lifetime of addiction. The good news is we know what works to prevent kids from starting to use tobacco and help people already addicted to quit. Fully funding evidence-based tobacco prevention and cessation programs, along with regular and significant tobacco tax increases and comprehensive smoke-free laws are proven to reduce tobacco use.

Research shows that the more states spend on comprehensive tobacco control programs, the greater the reductions in smoking.^{xii} The longer states invest in such programs, the greater and quicker the impact.^{xiii} Following the Centers for Disease Control and Prevention (CDC) funding recommendations for a comprehensive tobacco control program provides states with the needed framework to educate people on the dangers of tobacco use as well as connect people who are already addicted to tobacco to resources to help them quit.

State Tobacco Control Programs are Necessary to Combat Tobacco Industry Marketing

Tobacco industry advertising and promotions cause initiation and progression of tobacco use among youth and young adults.^{xiv} Tobacco industry marketing increases the awareness of smoking, recognition of specific brands, positive attitudes about smoking, intention to smoke, and actual smoking behavior. In 2017 the tobacco industry spent \$9.4 billion marketing cigarettes and smokeless tobacco alone, not including its other deadly and addictive products.^{xv}

"Because youth and adults continue to be heavily exposed to pro-tobacco media, advertising, and promotion, public education campaigns are needed to prevent tobacco use initiation and to promote cessation." – Centers for Disease Control & Prevention

Youth are increasingly exposed to tobacco advertising including e-cigarette advertising. In 2016, almost 78.2% of middle and high school students – 20.5 million youth - reported seeing e-cigarette advertising and promotions.^{xvi} Another survey found even higher levels of exposure to e-cigarette advertising, with 82% of 13-17 years and 88% of 18-21 years reporting seeing e-cigarette advertising and promotions.^{xvii} Youth are particularly vulnerable to tobacco marketing. In fact, when nonsmoking adolescents are exposed to tobacco advertising they are significantly more likely to become smokers as young adults.^{xviii}

It is crucial that states invest in comprehensive tobacco control programs to counteract the influence of the ever-changing tobacco industry. Right now, for every \$14 the tobacco industry spends to market cigarettes and smokeless tobacco alone, not including its other deadly products, states are spending only \$1 on tobacco prevention and cessation programs.^{xix} More funding is needed to negate the influence Big Tobacco's marketing has on youth.

SPOTLIGHT: E-cigarette Epidemic

Nationwide, e-cigarette use has increased rapidly among youth. E-cigarettes are the most commonly used tobacco product by middle and high school students, surpassing cigarette use, according to the most recent data available.^{ix} The U.S. Secretary of Health and Human Services, U.S. Surgeon General, and Commissioner of the Food and Drug Administration have all declared youth e-cigarette use to be an epidemic.^x E-cigarette use among high school students has risen by 78% in the last year and 48% among middle school students.^{xi} Furthermore, e-cigarette use is most common among younger adults - not older adults.^{xii} Action is needed to reverse these trends.

ACS CAN's Position: Fully Funded State Tobacco Control Programs Save Lives

The American Cancer Society Cancer Action Network (ACS CAN) calls on states to reduce tobacco use rates, and ultimately combat tobacco-related illness and death by funding and implementing comprehensive tobacco control programs according to CDC recommendations. Evidence-based, statewide tobacco control programs that are comprehensive, sustained, and accountable have been shown to reduce tobacco use rates, as well as tobacco-related diseases and deaths. All tobacco products, including e-cigarettes, should be included in evidence-based state tobacco control programs. By investing in comprehensive tobacco control programs, states can prevent kids from starting to use tobacco and help people already addicted to quit.

- ⁱ U.S. Department of Health and Human Services (HHS). *The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General*. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.
- ⁱⁱ CDC. QuickStats: Number of Deaths from 10 Leading Causes — National Vital Statistics System, United States, 2010. *MMWR* 2013; 62(8): 155.
- ⁱⁱⁱ Islami F, Goding Sauer A, Miller KD, Siegel RL, Fedewa SA, Jacobs EJ, McCullough ML, Patel AV, Ma J, Soerjomataram I, Flanders WD. Proportion and Number of Cancer Cases and Deaths Attributable to Potentially Modifiable Risk Factors in the United States. *CA: A Cancer Journal for Clinicians*. 2018 Jan 1;68(1):31-54. Lortet-Tieulent J, Goding Sauer A, Siegel RL, Miller KD, Islami F, Fedewa SA, Jacobs EJ, Jemal A. State-Level Cancer Mortality Attributable to Cigarette Smoking in the United States. *JAMA Intern Med*. 2016;176(12):1792-1798. doi:10.1001/jamainternmed.2016.6530
- ^{iv} American Cancer Society. *Cancer Facts & Figures, 2017*. Atlanta, GA: American Cancer Society, 2017.
- ^v HHS, 2014.
- ^{vi} *Vital Signs: Tobacco Product Use Among Middle and High School Students — United States, 2011–2018*. *Morbidity and Mortality Weekly Report* 2019;68:157–164.
- ^{vii} Agaku I, Odani S, Vardavas C, Neff L. Self-Identified Tobacco Use and Harm Perceptions Among US Youth. *Pediatrics*. 2018 Apr, 141 (4).
- ^{viii} Centers for Disease Control and Prevention. [Vital Signs: Tobacco Use Among Middle and High School Students—United States, 2011–2018](#). *Morbidity and Mortality Weekly Report*, 2019;68(6):157-164.
- ^{ix} Office of the Surgeon General, “Surgeon General’s Advisory on E-Cigarette Use Among Youth,” December 18, 2018. <https://e-cigarettes.surgeongeneral.gov/documents/surgeon-generals-advisory-on-e-cigarette-use-among-youth-2018.pdf> Statement from FDA Commissioner Scott Gottlieb, M.D., on new steps to address epidemic of youth e-cigarette use. September 12, 2018. <https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm620185.htm> Azar, Alex M, and Gottlieb, Scott. “We cannot let e-cigarettes become an on-ramp for teenage addiction.” *The Washington Post*, October 11, 2018. Op-ed. <https://www.washingtonpost.com/news/health/wp/2018/10/11/we-cannot-let-e-cigarettes-become-an-on-ramp-for-teenage-addiction/>
- ^x Centers for Disease Control and Prevention. [Notes from the Field: Use of Electronic Cigarettes and Any Tobacco Product Among Middle and High School Students – United States, 2011-2018](#). *Morbidity and Mortality Weekly Report*, 2018; 67(45): 1276-7.
- ^{xi} Centers for Disease Control and Prevention. [Tobacco Product Use Among Adults – United States, 2017](#). *Morbidity and Mortality Weekly Report*, 2018; 67(44): 1225-1232.
- Centers for Disease Control and Prevention. [Vital Signs: Tobacco Use Among Middle and High School Students—United States, 2011–2018](#). *Morbidity and Mortality Weekly Report*, 2019;68(6):157-164.
- ^{xii} from FDA Commissioner Scott Gottlieb, M.D., on new steps to address epidemic of youth e-cigarette use. September 12, 2018. <https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm620185.htm> Azar, Alex M, and Gottlieb, Scott. “We cannot let e-cigarettes become an on-ramp for teenage addiction.” *The Washington Post*, October 11, 2018. Op-ed. <https://www.washingtonpost.com/news/health/wp/2018/10/11/we-cannot-let-e-cigarettes-become-an-on-ramp-for-teenage-addiction/>
- ^{xv} Centers for Disease Control and Prevention. [Notes from the Field: Use of Electronic Cigarettes and Any Tobacco Product Among Middle and High School Students – United States, 2011-2018](#). *Morbidity and Mortality Weekly Report*, 2018; 67(45): 1276-7.
- ^{xv} Centers for Disease Control and Prevention. [Tobacco Product Use Among Adults – United States, 2017](#). *Morbidity and Mortality Weekly Report*, 2018; 67(44): 1225-1232.
- ^{xvi} Centers for Disease Control and Prevention. [Vital Signs: Tobacco Use Among Middle and High School Students—United States, 2011–2018](#). *Morbidity and Mortality Weekly Report*, 2019;68(6):157-164.
- ^{xvii} Truth Initiative. Vaporized: youth and young adult exposure to e-cigarette marketing, 2015.
- ^{xviii} Centers for Disease Control & Prevention. *Best Practices for Comprehensive Tobacco Control Programs*, 2014. Atlanta, GA: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014.
- ^{xix} The Truth Initiative, Campaign for Tobacco-Free Kids, American Heart Association and American Stroke Association, American Cancer Society Cancer Action Network, American Lung Association, Americans for Nonsmokers’ Rights, and Robert Wood Johnson Foundation. A report entitled *Broken Promises to Our Children: A State-By-State Look at the 1998 State Tobacco Settlement 20 Years Later*. December, 2018.