

Southeast Florida Cancer Control Collaborative

The United States Congress passed, and President Obama signed the State Children's Health Insurance Program (SCHIP) legislation, which includes a **61.66 cent increase** in the federal tax on cigarettes, with significant increases to the federal tax rates on all other tobacco products. The federal tax increase will be effective March 31, 2009.

This is the culmination of years of work from the local to the national level by advocates, program leaders, researchers, and funders. It is the result of local advocates and state programs educating their communities, the media, and policy makers about the deadly toll of tobacco and the solutions to the problem. It is the result of work by the research community producing the evidence base for tobacco taxes. It is the result of local, state, and national advocacy groups who have educated and pressured policy makers to buck the tobacco industry and do what's right for public health. Together, we have convinced policy makers from local councils to the White House that they can and should increase tobacco taxes. Hundreds of thousands of lives and billions of health care dollars will be saved as a result. Thank you to everyone for all you have done to make this happen!

We estimate that the resulting increase in price will produce the following public health benefits:

- § Increase in total number of kids alive today who will not become smokers: 1,992,000
- § Number of current adult smokers in the US who will quit: 1,020,000
- § Number of smoking-affected births avoided over next five years: 248,000
- § Number of total smokers saved from future smoking-caused death: 905,000
- § 5-year health care savings from fewer smoking-affected pregnancies & births: \$423.2 million
- § 5-year health care savings from fewer smoking-caused heart attacks & strokes: \$493.3 million
- § Long-term healthcare savings in the US from adult & youth smoking declines: \$44.5 billion
 - Share of healthcare savings in federal-state Medicaid program: \$7.5 billion
 - Share of healthcare savings in federal Medicare program: \$8.6

The public health benefits to each state are outlined in the attached fact sheet.

By decreasing consumption nationally, the increase in the federal tax will reduce state tobacco tax revenues unless the state increases its tobacco tax rate. This can be used as yet another reason to increase state cigarette and other tobacco product taxes. The decrease in consumption (and related revenue loss) for any state will depend on the state's current pack prices and tax rates.

The federal tax also applies to sales on tribal lands. Just as the current federal tax is paid on tribal lands, this increase will be as well.

Other Tobacco Products

Of important significance is that the taxes on small cigars, which are really just thinly disguised cigarettes designed to avoid the cigarette tax, and RYO (roll your own) tobacco are not only getting the 61 cent or equivalent increase but will also now be taxed at a rate that parallels cigarettes. Previously, these products were taxed at a much lower rate. This was a big fight, but with the help of Senators Blanche Lincoln (AR) and Richard Durbin (IL), special interests were overcome to avoid a provision that would have phased in the tax for little cigars over a six year period. The taxes on smokeless and regular cigars are also increasing, but are still at levels much lower than the tax on cigarettes. State advocates can continue to work to increase state taxes on all of these OTP's to equal the state rate on cigarettes.

Promoting Cessation Around the Tobacco Tax

The federal tax increase will be effective March 31, 2009. This provides a great opportunity to promote quitting. Several states have developed resources to promote quitting around state tobacco tax increases. We will be sharing those moving forward and would appreciate hearing how other states have done

this. States will obviously have to prepare for a surge in demand for quitline and other cessation services. It would have course have been extremely helpful had the bill included funding for cessation services, but it does not. We must continue to work every avenue at the state and national level to try to secure additional funds for our programs to help smokers quit.

STATE PUBLIC HEALTH BENEFITS AND HEALTHCARE COST FROM A 61.66-CENT FEDERAL CIGARETTE TAX INCREASE

The table below presents conservative estimates of just some of the public health benefits and related healthcare cost savings each state would receive from a 61.66-cent federal cigarette tax rate increase. Additional benefits (not listed in the table) include the payments to the states under the State Children’s Health Insurance Program (SCHIP), which would be funded by the tobacco tax rate increases in legislation that was signed into law by President Barack Obama.

	Fewer Kids Becoming Addicted Adults	Fewer Current Adult Smokers	Future Smoking Deaths Prevented	Future State Health Care Savings	Medicaid Share of Future Health Savings
Alabama	65,500	21,900	26,700	\$1.3 billion	\$180.9 million
Alaska	3,800	1,700	1,600	\$82.7 million	\$12.7 million
Arizona	27,400	17,800	13,400	\$648.6 million	\$90.2 million
Arkansas	22,500	12,400	10,400	\$511.6 million	\$66.5 million
California	191,700	92,300	85,800	\$4.2 billion	\$841.2 million
Colorado	29,500	16,200	13,700	\$670.2 million	\$108.1 million
Connecticut	19,200	7,700	8,100	\$409.2 million	\$62.0 million
Delaware	5,800	2,900	2,600	\$129.1 million	\$13.1 million
DC	2,000	1,500	1,000	\$49.3 million	\$5.6 million
Florida	137,500	75,400	63,900	\$3.1 billion	\$348.8 million
Georgia	68,100	37,100	31,600	\$1.5 billion	\$228.1 million
Hawaii	6,200	2,800	2,700	\$135.1 million	\$18.1 million
Idaho	8,400	5,400	4,100	\$198.3 million	\$28.0 million
Illinois	86,400	39,000	37,900	\$1.8 billion	\$355.6 million
Indiana	52,000	27,600	23,900	\$1.1 billion	\$191.5 million
Iowa	19,600	9,900	8,800	\$437.1 million	\$56.2 million
Kansas	17,800	9,000	8,000	\$397.0 million	\$45.3 million
Kentucky	48,400	30,500	23,500	\$1.1 billion	\$223.0 million
Louisiana	40,500	19,900	18,200	\$897.8 million	\$326.5 million
Maine	6,700	3,800	3,100	\$153.4 million	\$43.5 million
Maryland	27,200	13,500	12,200	\$604.3 million	\$93.1 million
Massachusetts	25,500	13,200	11,600	\$571.7 million	\$94.4 million
Michigan	75,600	30,100	32,100	\$1.6 billion	\$332.1 million
Minnesota	34,500	14,000	14,700	\$736.8 million	\$113.4 million
Mississippi	26,900	14,800	12,500	\$611.4 million	\$123.8 million
Missouri	53,300	30,700	25,100	\$1.2 billion	\$168.7 million
Montana	4,900	2,900	2,300	\$113.3 million	\$15.5 million
Nebraska	12,700	6,900	5,800	\$287.8 million	\$31.5 million
Nevada	15,600	10,100	7,600	\$369.0 million	\$44.3 million
New Hampshire	9,200	4,300	4,000	\$201.9 million	\$54.8 million
New Jersey	37,600	18,700	16,900	\$835.7 million	\$176.2 million
New Mexico	12,500	7,500	5,900	\$290.0 million	\$38.4 million
New York	77,400	41,300	35,700	\$1.7 billion	\$486.3 million
North Carolina	75,200	45,000	35,900	\$1.7 billion	\$214.8 million
North Dakota	4,300	2,900	2,100	\$102.8 million	\$10.9 million
Ohio	89,600	45,500	40,700	\$2.0 billion	\$354.4 million
Oklahoma	28,700	17,000	13,600	\$663.8 million	\$76.7 million
Oregon	23,300	11,300	10,400	\$515.1 million	\$63.3 million

	Fewer Kids Becoming Addicted Adults	Fewer Current Adult Smokers	Future Smoking Deaths Prevented	Future State Health Care Savings	Medicaid Share of Future Health Savings
Pennsylvania	92,100	44,100	41,100	\$2.0 billion	\$306.8 million
Rhode Island	5,500	2,400	2,300	\$119.1 million	\$33.1 million
South Carolina	42,100	22,200	19,300	\$947.7 million	\$175.1 million
South Dakota	5,600	2,600	2,400	\$122.7 million	\$14.6 million
Tennessee	47,400	30,200	23,100	\$1.1 billion	\$241.0 million
Texas	152,800	74,700	68,600	\$3.3 billion	\$458.8 million
Utah	9,000	5,400	4,300	\$208.8 million	\$34.1 million
Vermont	3,100	1,600	1,400	\$69.5 million	\$13.8 million
Virginia	56,700	30,000	26,000	\$1.2 billion	\$154.8 million
Washington	30,400	14,800	13,600	\$672.6 million	\$119.7 million
West Virginia	17,100	10,600	8,200	\$400.0 million	\$96.7 million
Wisconsin	33,500	16,100	14,900	\$739.2 million	\$106.3 million
Wyoming	4,100	2,300	1,900	\$93.6 million	\$13.5 million
Total USA	1,992,400	1,021,500	905,200	\$44.5 billion	\$7.5 billion

These projections are based on research findings that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4%. Kids stopped from becoming addicted adult smokers or from dying from smoking are from all kids alive today. Reduced adult deaths is from current adult smokers. Future healthcare savings accrue over the lifetimes of persons who stop smoking or never start because of the cigarette tax increase. Savings are in 2004 dollars. The Medicaid Share of Future Health Savings amounts for each state represent the future reductions to total healthcare expenditures by each state's Medicaid program.

Sources. Congressional Research Service, *Projected FY2008 Allotments Under Compromise Proposal, Compared to Allotment Projected Under Current-Law Baseline*, September 2007. Chaloupka, F, "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://tiger.uic.edu/~fjc> and www.uic.edu/orgs/impacteen. Orzechowski & Walker, *Tax Burden on Tobacco*, 2006. USDA Economic Research Service, www.ers.usda.gov/Briefing/tobacco. Farrelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May, 2003. CDC, *Data Highlights 2006* [and underlying CDC data/estimates]. Hodgson, T, "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. U.S. Census. National Center for Health Statistics. Miller, L. et al., "State Estimates of Medicaid Expenditures Attributable to Cigarette Smoking, Fiscal Year 1993," *Public Health Reports* 113: 140-151, March/April 1998; Orleans, CT, et al., "Helping Pregnant Smokers Quit: Meeting The Challenge in the Next Decade", *Tobacco Control* 9(Supplemental III): 6-11, 2000. For information on shorter-term healthcare savings, see Miller, P, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1):25-35, February 2001. Lightwood, J & Glantz, S, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4):1089-1096, August 19, 1997.

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Information on the benefits of increasing state tobacco taxes is available at <http://www.tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>.