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*A Policy Research Partnership  
to Reduce Youth Substance Use*

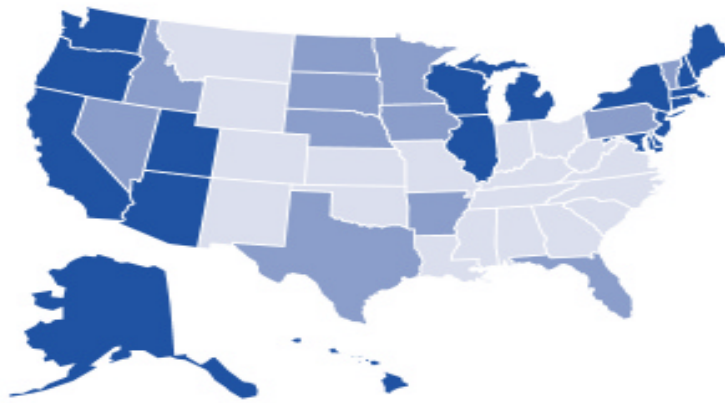
# TOBACCO TAXATION, TOBACCO CONTROL POLICY, AND TOBACCO USE

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**[www.uic.edu/~fjc](http://www.uic.edu/~fjc)**

**[www.impacteen.org](http://www.impacteen.org)**



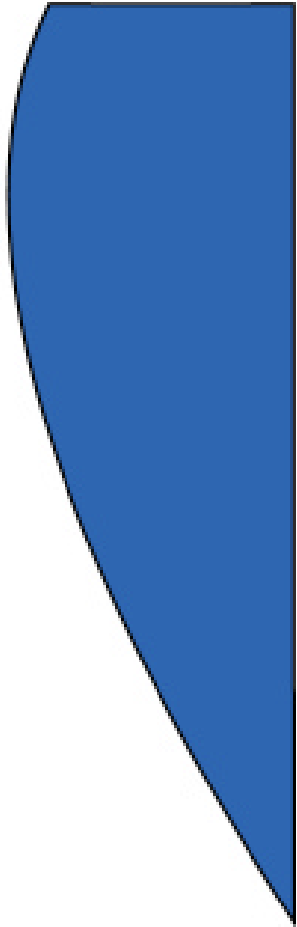
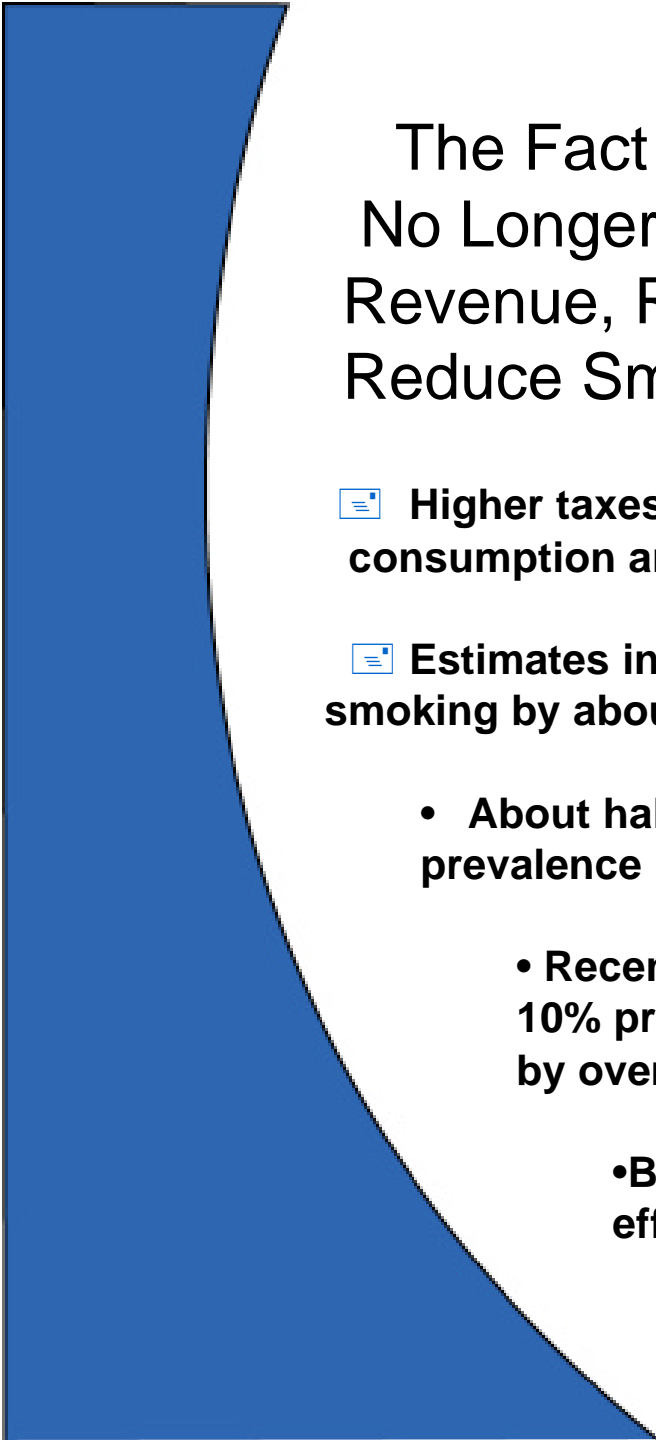
## State Cigarette Excise Taxes

January, 2001

Ranked by State Excise Taxes per Pack

Average State Tax = \$.419

<b>\$.50+ HIGH</b>		<b>\$.25-.49 MED</b>		<b>&lt; \$.25 LOW</b>	
<b>1.11</b>	New York	<b>.48</b>	Minnesota	<b>.24</b>	Delaware
<b>1.00</b>	Alaska	<b>.44</b>	North Dakota	<b>.24</b>	Kansas
<b>1.00</b>	Hawaii	<b>.44</b>	Vermont	<b>.24</b>	Louisiana
<b>.87</b>	California	<b>.41</b>	Texas	<b>.24</b>	Ohio
<b>.825</b>	Washington	<b>.36</b>	Iowa	<b>.23</b>	Oklahoma
<b>.80</b>	New Jersey	<b>.35</b>	Nevada	<b>.21</b>	New Mexico
<b>.76</b>	Massachusetts	<b>.34</b>	Nebraska	<b>.20</b>	Colorado
<b>.75</b>	Michigan	<b>.339</b>	Florida	<b>.18</b>	Mississippi
<b>.74</b>	Maine	<b>.33</b>	South Dakota	<b>.18</b>	Montana
<b>.71</b>	Rhode Island	<b>.315</b>	Arkansas	<b>.17</b>	Missouri
<b>.68</b>	Oregon	<b>.31</b>	Pennsylvania	<b>.17</b>	West Virginia
<b>.66</b>	Maryland	<b>.28</b>	Idaho	<b>.165</b>	Alabama
<b>.65</b>	District of Columbia			<b>.155</b>	Indiana
<b>.59</b>	Wisconsin			<b>.13</b>	Tennessee
<b>.58</b>	Arizona			<b>.12</b>	Wyoming
<b>.58</b>	Illinois			<b>.12</b>	Georgia
<b>.52</b>	New Hampshire			<b>.07</b>	South Carolina
<b>.515</b>	Utah			<b>.05</b>	North Carolina
<b>.50</b>	Connecticut			<b>.03</b>	Kentucky
				<b>.025</b>	Virginia



## The Fact is, Raising Tobacco Prices is No Longer Solely a Means of Generating Revenue, Rather, a Proven Measure to Reduce Smoking!

- ☰ Higher taxes induce quitting, prevent relapse, reduce consumption and prevent starting.
- ☰ Estimates indicate that 10% rise in price reduces overall smoking by about 4%
  - About half of impact of price increases is on smoking prevalence
  - Recent estimates for young adult smokers indicate that 10% price rise would raise probability of quitting smoking by over 3%
  - Because of addictive nature of smoking, long term effects of tax and price increases are larger

Source: Chaloupka *et al.*, 2000

## **Lower SES populations are the most price responsive**

- **Growing international evidence shows that cigarette smoking is most price responsive in lowest income countries**
- **Evidence from U.S. and U.K. shows that cigarette price increases have greatest impact on smoking among lowest income and least educated populations**
- **In U.S., for example, estimates indicate that smoking in households below median income level about 70% more responsive to price than those above median income level**

Source: Chaloupka *et al.*, 2000



# YOUNG PEOPLE MORE RESPONSIVE TO PRICE INCREASES

- Proportion of disposable income youth spends on cigarettes likely to exceed corresponding portion of adult's income
- Peer influences much more important for young smokers than for adult smokers
- Young smokers less addicted than adult smokers
- Young people tend to discount the future more heavily than adults

**Because kids are highly sensitive to price, and given that 90 percent of smokers start when they are 18 or younger, an increase in excise taxes appears to be one of the best ways to deter them from taking up cigarettes in the first place.**

# CIGARETTE PRICES AND KIDS

## ■ YOUTH

**A 10% Increase in Price Reduces Smoking Prevalence Among Youth by nearly 7%**

**A 10% Increase in Price Reduces Conditional Demand Among Youth by over 6%**

**Higher cigarette prices are associated with substantially reducing adolescents' probability of becoming daily, addicted smokers, helping prevent moving from lower to higher stages of smoking.**

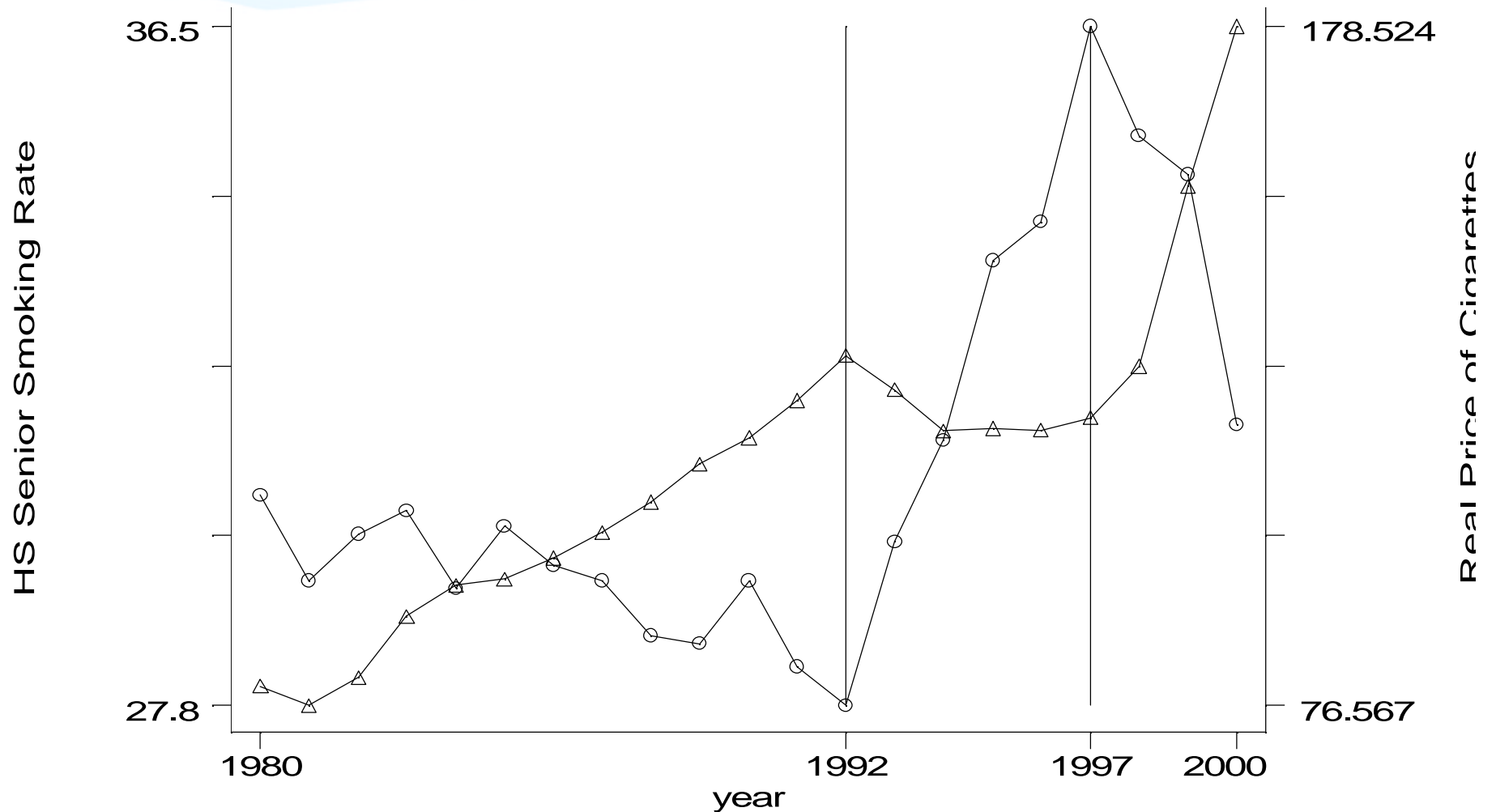
- **10% price increase reduces probability of any initiation by about 3%, but reduces probability of daily smoking by nearly 9% and reduces probability of heavy daily smoking by over 10%**

## ■ YOUNG ADULTS (College Students)

**A 10% Increase in Price Reduces Smoking Prevalence Among Young Adults by about 5%**

**A 10% Increase in Price Reduces Conditional Demand Among Young Adults by another 5%**

# Cigarette Prices and Youth Smoking Prevalence



Youth Smoking vs. Cigarette Prices Over Time

# CIGARETTE PRICES AND HEALTH

According to a study conducted by Pacific Institute for Research and Evaluation and the Roswell Park Cancer Institute:

- An increase of \$1 in the current cigarette excise tax, indexed for inflation, would result in 2.3 million fewer smoking-attributable deaths over the projected 40-year period the study measures.
- The greatest benefit from the tax hike would be to youth smokers who are, as a group, the most sensitive to price fluctuations, projecting that a \$1 cigarette tax hike would immediately decrease youth smoking by 30 percent while reducing overall smoking rates by 11 percent.



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# Myths About Impact of Tobacco Taxation

## ☰ REVENUE LOSSES?

**Revenues actually rise with taxes, particularly in lowest tax states where taxes comprise relatively low share of prices; average revenue increases from 10% tax increase would exceed 7%**

## ☰ JOB LOSSES?

**Temporary, minimal, and gradual; most state/regions would benefit in short and long run from the reduced tobacco sales resulting from higher tobacco taxes as money once spent on cigarettes is spent on other goods and service.**

## ☰ POSSIBLE SMUGGLING

**Generally overstated; appropriate solution is to crack down on criminal activity, not forego the benefits of higher tobacco taxes.**

## ☰ COST TO INDIVIDUALS, ESPECIALLY THE POOR

**Partially offset by lower consumption; can be offset by additional tax revenues to finance programs targeting income populations**

## NEW YORK: \$1.11 Per Pack

### *Preliminary* Findings on the Impact of March 2000 55-Cent Increase in Cigarette Excise Tax

#### Cigarette Price Increases

**NY: Marlboro- \$1.00 (30.7%); Newport - \$1.00 (31.0%)**  
**US: Marlboro - 33 cents (11.5%); Newport 31 cents (10.2%)**

#### Cigarette Sales

**Sales have dropped about 20 percent since the increase.**

#### Smoking Prevalence

**(NY matched schools, after 4/1; US all schools after 4/1)**

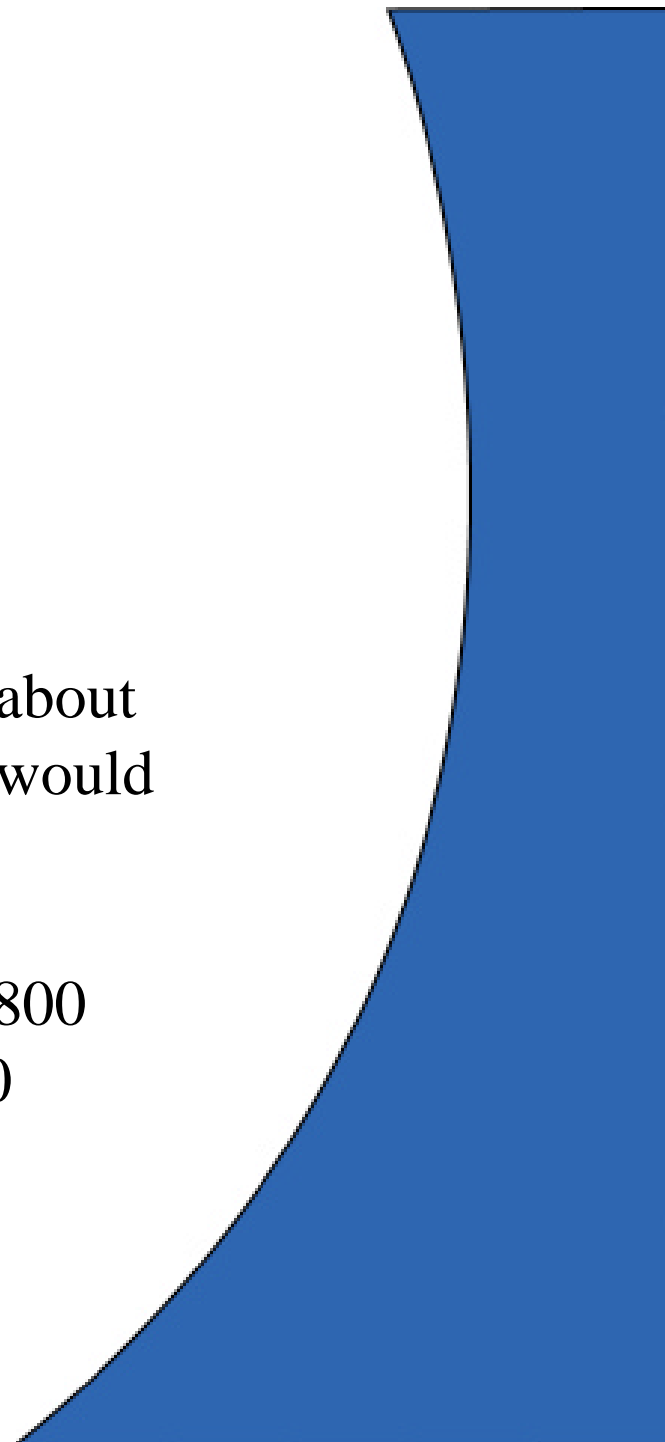
**8th Grade - NY: -17.8%; US: - 11.2%**

**10th Grade - NY: -18.9%; US: -1.0%**

# Cigarette Taxes and Kentucky

## Impact of alternative tax increases:

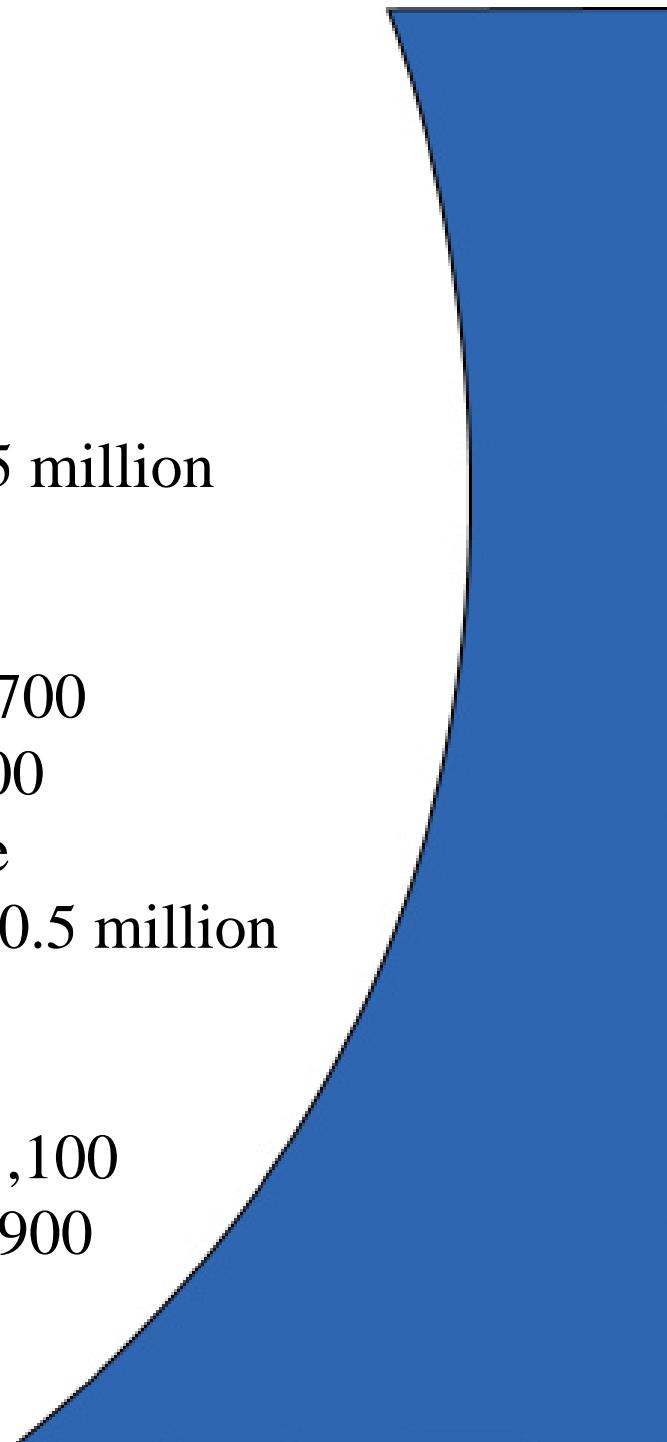
- Doubling of state tax to 6 cents per pack
  - Revenues rise by \$18.6 million
    - Even under extreme assumptions about loss of out of state sales, revenues would rise by \$10.0 million
  - Sales decline by 2.6 million packs
  - Number of young smokers falls by 1,800
  - Deaths caused by smoking fall by 900



# Cigarette Taxes and Kentucky

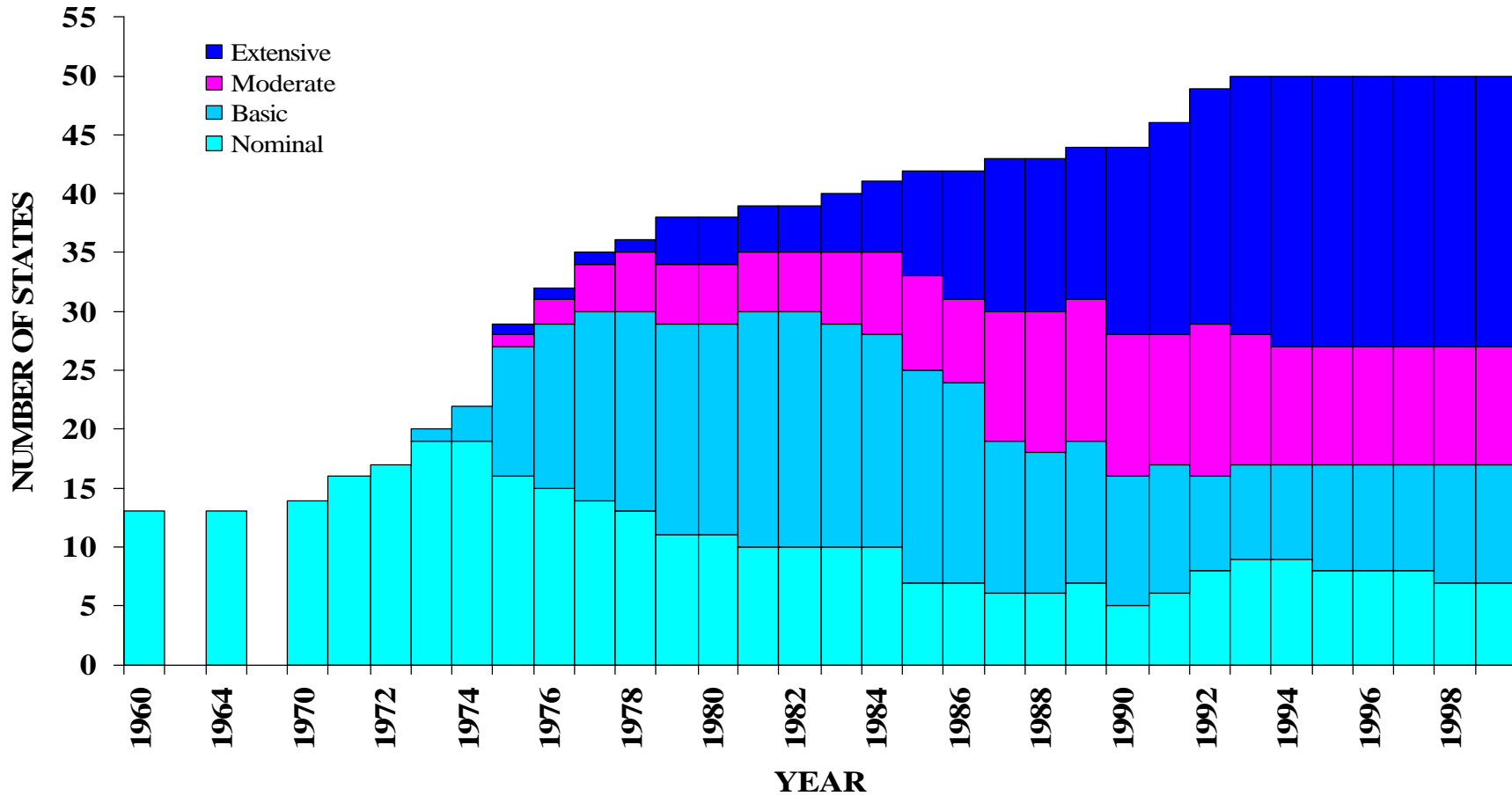
## Impact of alternative tax increases:

- Tripling of state tax to 9 cents per pack
  - Revenues rise by \$37.0 million (\$28.5 million under extreme assumptions)
  - Sales decline by 5.2 million packs
  - Number of young smokers falls by 3,700
  - Deaths caused by smoking fall by 2000
- More ambitious 50 cent per pack increase
  - Revenues rise by \$289.0 million (\$280.5 million under extreme assumptions)
  - Sales decline by 43.5 million packs
  - Number of young smokers falls by 31,100
  - Deaths caused by smoking fall by 16,900



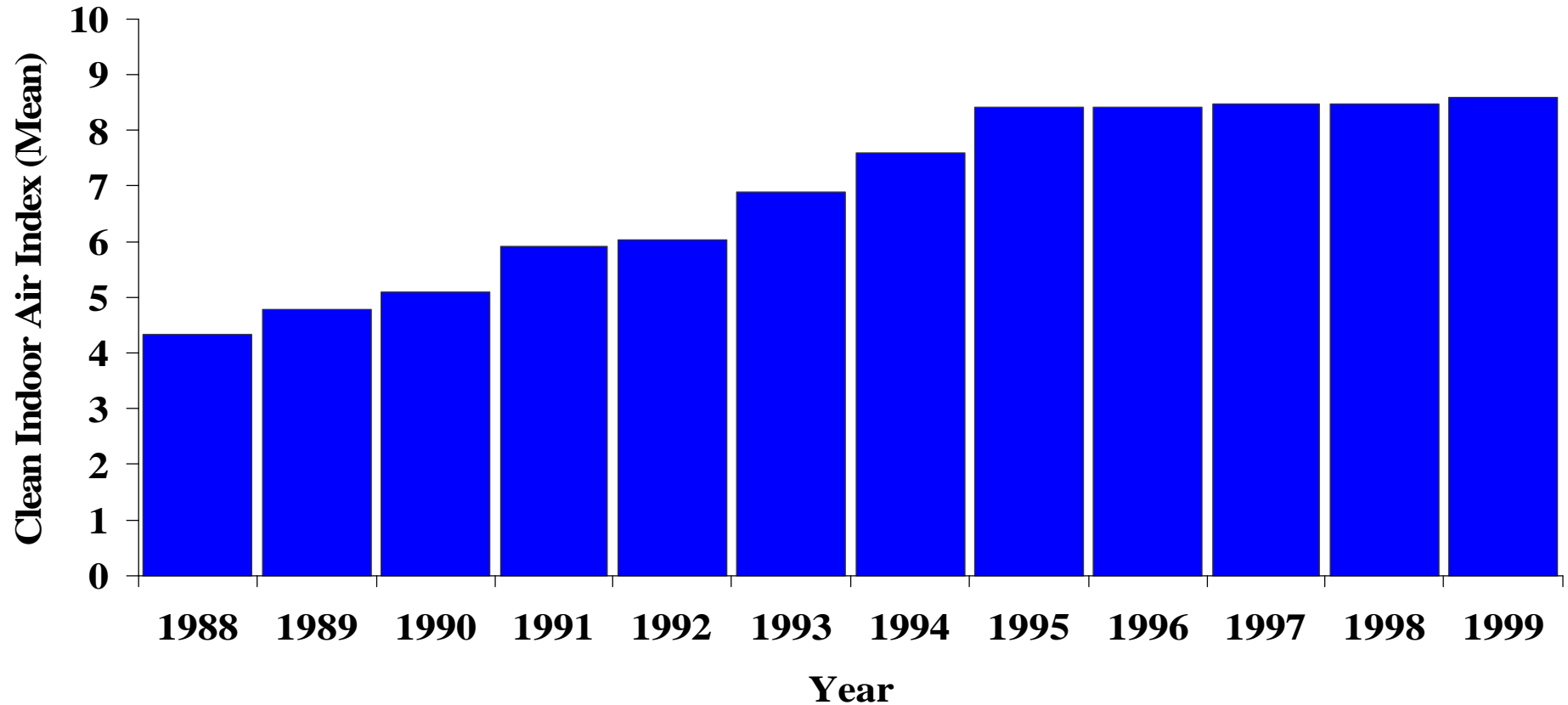
# Tobacco Policy Data

## Restrictiveness Of State Laws Regulating Smoking In Public Places – U.S., 1960-1999



# Tobacco Policy Data

Mean Comprehensiveness of State Laws Regulating Smoking In Public Places – U.S., 1960-1999

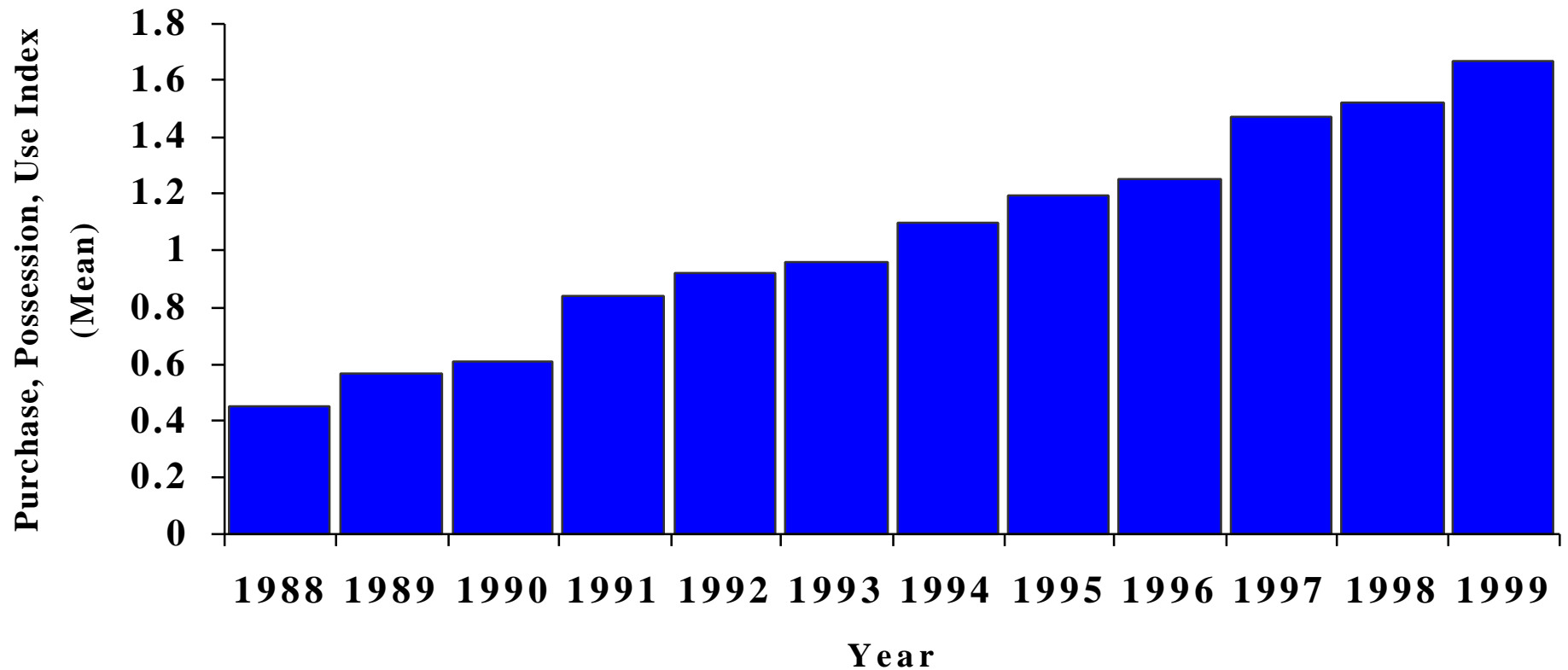


# Results – Smoking Restrictions

- Generally consistent evidence that restrictions on smoking in workplaces and public places significantly reduce youth, young adult, and adult cigarette smoking
  - More comprehensive restrictions lead to largest reductions
  - Reduce both prevalence and consumption among smokers
- Strong evidence that comprehensive restrictions on smoking in private worksites increase the probability of smoking cessation among young adults
- Strong evidence that restrictions on smoking at home significantly reduce the probability of youth smoking, smoking uptake, and youth cigarette consumption

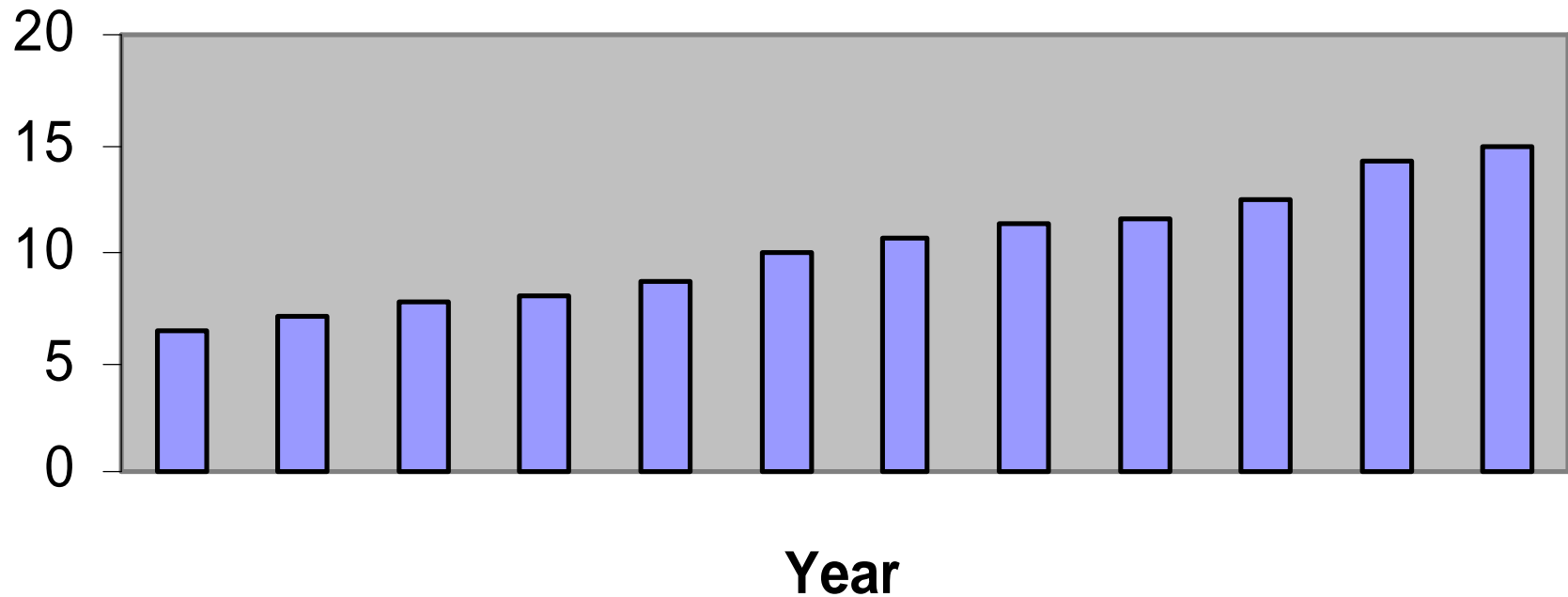
# Tobacco Policy Data

Mean Number of Purchase, Possession, and Use Laws per State\* --  
United States, 1988-1999



# Tobacco Policy Data

## Youth Access Index, 1987-1998



# Results – Youth Access Restrictions

- Generally little evidence that restrictions on youth access to tobacco products reduce youth smoking
  - likely due to the generally poor enforcement of these laws
- Relatively strong evidence that increased retailer compliance with limits on youth access (resulting from stronger enforcement) leads to significant reductions in youth smoking prevalence and consumption
  - little impact on youth experimentation
  - impact increases as youth progress to more regular smoking
- Some weak evidence that combination of policies prohibiting youth purchase, possession and use of tobacco products lead to significant reductions in youth smoking
  - effect appears largest on lowest risk youth

# Results – Other Tobacco Related Policies

- Strong evidence that expenditures on comprehensive tobacco control programs and tobacco control coalitions lead to significant reductions in overall cigarette smoking, youth cigarette smoking
  - impact of mass-media counteradvertising campaigns most significant
- Consistent evidence that state preemption of stronger local tobacco control policies increases youth smoking prevalence and consumption
- Some evidence that smoker protection laws create favorable environment for tobacco use and lead to increased cigarette consumption

# Results – Tobacco Marketing Practices

- Evidence that MSA ban on billboard advertising by cigarette companies increased advertising and promotional activities at the point of purchase
  - multipack discounts, gifts with purchase, cents off coupons more likely after billboard ban
  - exterior and interior store advertising more pervasive after billboard ban
  - functional objects more frequent after billboard ban
  - consistent with recent studies of impact of other advertising bans

# Results – Tobacco Marketing Practices

- Find that tobacco company marketing efforts vary with respect to key community characteristics
  - Marlboro prices significantly lower in neighborhoods with greater youth and young adult populations
  - cigarettes more likely to be available for self service in neighborhoods with larger youth population
  - more interior and exterior cigarette advertising in low-income neighborhoods
- Evidence that pro-tobacco marketing efforts at the retail level are stronger in states with comprehensive tobacco control programs
  - greater likelihood of gift-with-purchase and other promotions
  - more extensive cigarette advertising on storefronts and in stores



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## Conclusions

- ☐ The price of tobacco is an important influence on the demand for tobacco products, particularly among young people.
- ☐ Substantial increases in excise taxes on cigarettes and other tobacco products significantly reduce the prevalence of tobacco use and, as a result, sharply reduce the public health toll caused by tobacco use.
- ☐ Comprehensive set of tobacco control policies and comprehensive approach to tobacco control lead to large reductions in youth and adult cigarette smoking, other tobacco use, and the death and disease caused by smoking.