

Economic Perspectives on Smokeless/Spit Tobacco

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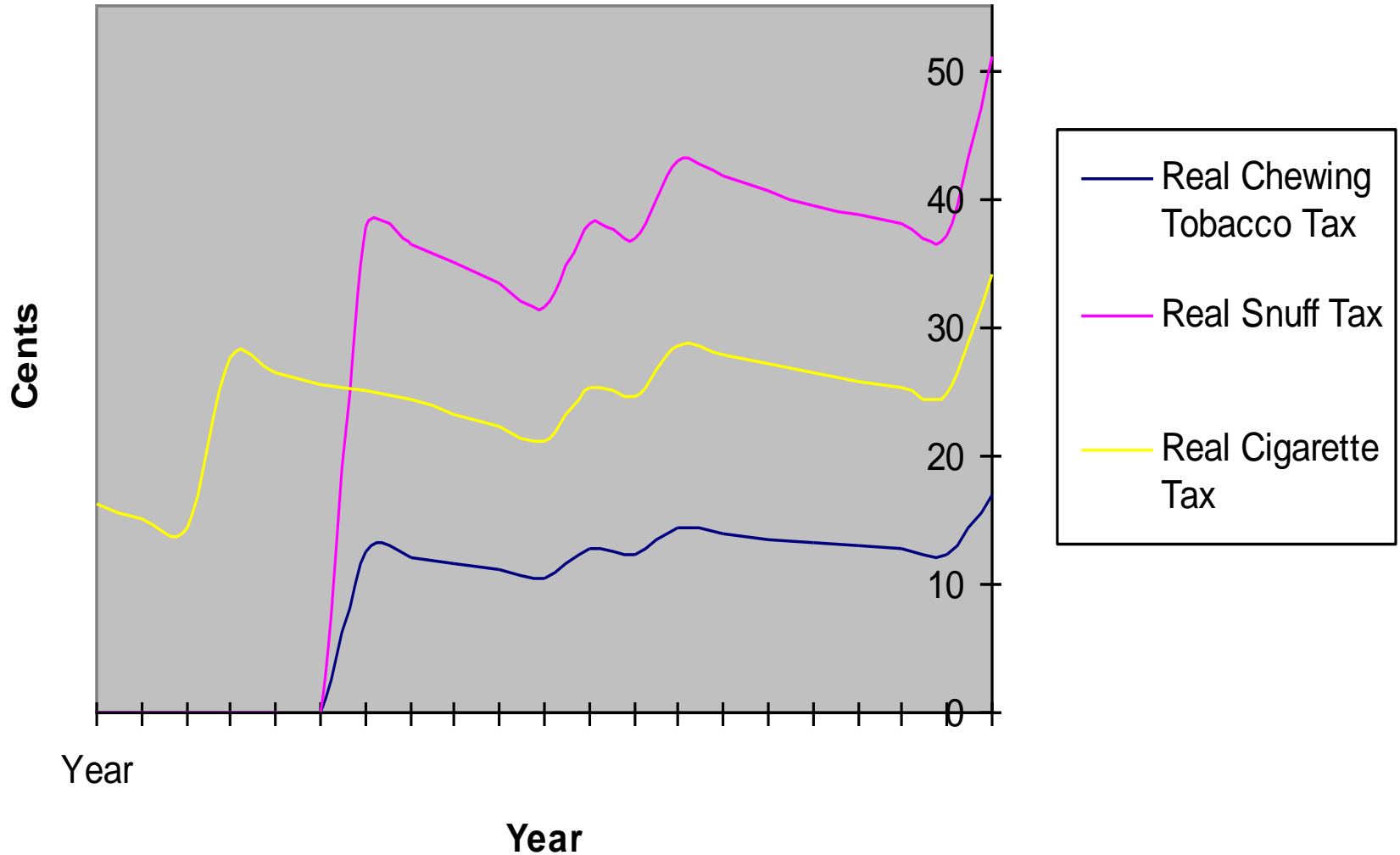
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<http://www.uic.edu/~fjc>

Federal Smokeless Tobacco Taxes

	Chewing Tobacco	Snuff
----7/1/86	-----	-----
7/1/86-12/31/90	8¢/lb	24¢/lb
1/1/91-12/31/92	10¢/lb	30¢/lb
1/1/93-12/31/99	12¢/lb	36¢/lb
1/1/00-12/31/02	17¢/lb	51¢/lb
1/1/02-----	19.5¢/lb	58.5¢/lb

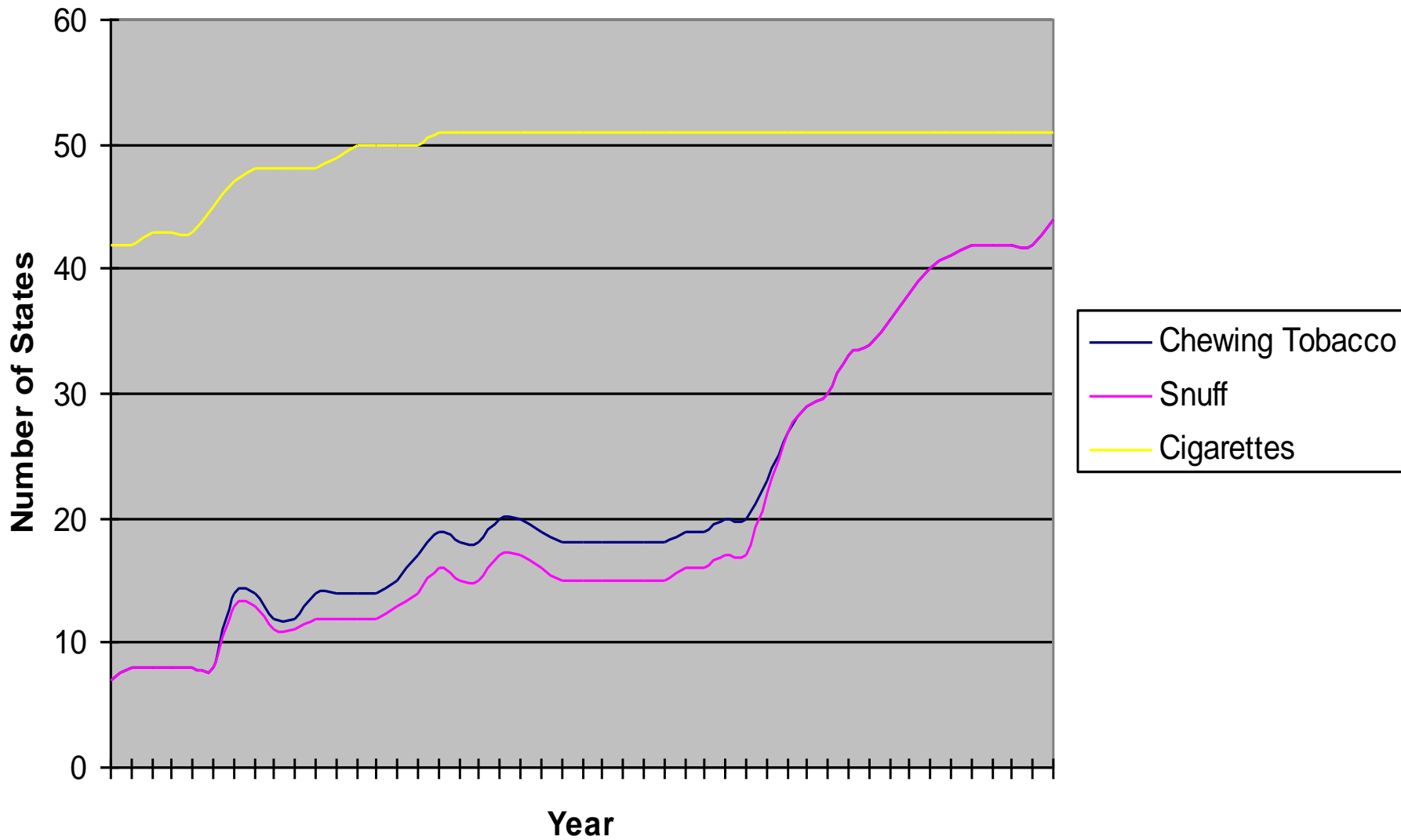
Real Federal Tobacco Taxes, 1980-2000



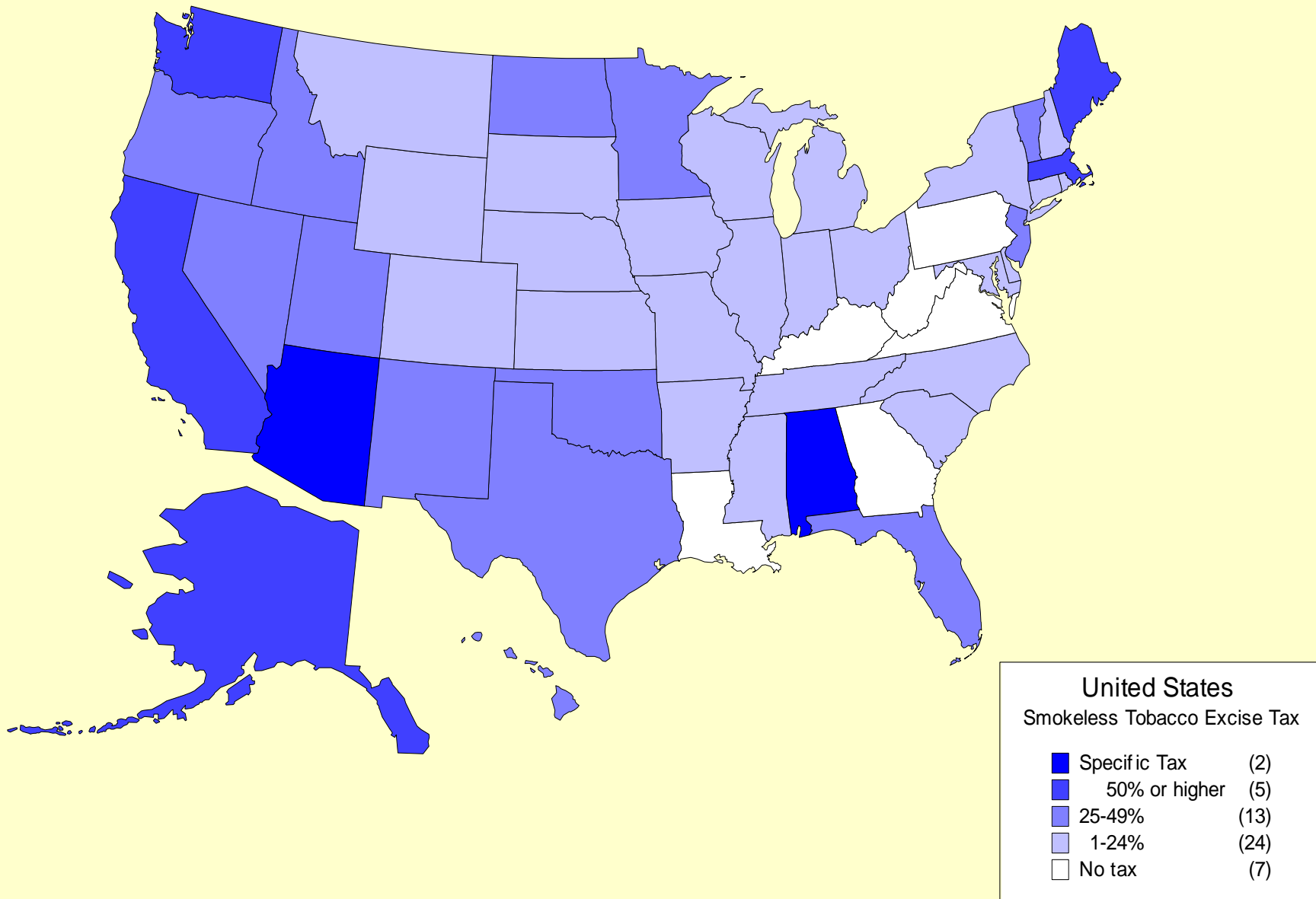
Federal Taxes and Tobacco Product Prices

- Data from Ron's Smoke Shop, Seneca Nation Indian Reservation, NY – Internet
 - Carton of major brand cigarettes:
 - \$25.95 - \$3.40 federal tax: 13.1% of price
 - 10-pack major brand snuff
 - \$25.95 – 76.5¢ federal tax: 2.9% of price
 - Case of major brand chewing tobacco (6 pouches)
 - \$23.50 (regular price) – 51¢ federal tax: 2.2% of price

Number of States Taxing Tobacco Products, 1954-2000



Smokeless Tobacco Excise Taxes, US, 1999 4th Quarter



Econometric Research: Cigarette Smoking

- Large literature on impact of taxes on cigarette smoking:
 - Overall price elasticity: -0.4
 - Youth, low-income persons more responsive to price
 - Long-run impact of sustained price increase larger
 - Significant revenue generating potential

Econometric Research: Smokeless Tobacco Use

- Few studies of smokeless tobacco demand
 - Ohsfeldt, et. al (1994, 1997, 1999):
 - Higher smokeless tobacco taxes significantly reduce probability of smokeless tobacco use among males 16 years and older
 - Younger males more price sensitive than older males
 - Evidence of substitution from cigarettes to smokeless tobacco in response to higher cigarette taxes

Econometric Research: Smokeless Tobacco Use

- Chaloupka et. al (1997)
 - Higher smokeless tobacco taxes and prices significantly reduce both the probability and frequency of smokeless tobacco use among teenage males
 - Overall price elasticity -0.59 ; $2/3$ of effect on probability of use
- International evidence
 - Higher smokeless tobacco taxes and prices reduce various measures of smokeless tobacco use
 - Evidence of substitution among tobacco products

Summary

- Federal and state taxes on smokeless tobacco products rising over time
- Taxes as a share of price for smokeless tobacco products well below taxes as share of cigarette prices
- Increases in smokeless tobacco taxes would significantly reduce smokeless tobacco use, particularly among youth, young adults
- Substitution among tobacco products likely in response to relative price changes