



STATE CIGARETTE TAX INCREASES BENEFIT LOWER-INCOME SMOKERS AND FAMILIES

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Because smoking levels are highest among people with low incomes, the cigarette companies try to argue that cigarette tax increases fall disproportionately hard on lower-income persons. However, the companies' arguments fail to account for the following facts.

Low-income voters strongly support tobacco-tax increases. In poll after poll lower-income Americans (along with all other Americans) strongly support higher cigarette taxes.¹ In a nationwide poll of African Americans, more than 73 percent said that they did not think that tobacco tax increases were unfair to African Americans and more than 57 percent said that they would not be opposed to increasing cigarette taxes even if they knew that low-income smokers would be hit the hardest.²

Low-income smokers are much more likely to quit because of state tobacco-tax increases than higher-income smokers. Smokers with family incomes at or below the national median are four times as likely to quit because cigarette price increases as those with higher incomes.³ Accordingly, low-income families that currently suffer from direct and secondhand smoking-caused health risks, disease, and related costs are much more likely to have those harms and costs reduced by a cigarette tax increase than similar families with higher-incomes.

State tobacco-tax increases shift the overall tobacco-tax burden more toward higher-income smokers. Because more lower-income smokers than higher-income smokers will quit or cutback because of cigarette tax increases, any state that significantly increases its cigarette tax rate will also end up increasing the portion of the state's total cigarette tax revenues that are paid for by higher-income smokers and reduce the portion paid by lower-income smokers.⁴

State cigarette tax increases give many current smokers a "tax cut." Many current smokers (especially those with low incomes) will completely avoid the new cigarette tax by quitting. Those that quit because of the cigarette tax increase will actually end up saving all the money they used to spend on cigarettes. A study in England, for example, found that low-income smokers actually reduced their overall expenditures on cigarettes in response to increased cigarette taxes.⁵ [In fact, research released in April 2002 found that both Canadian and U.S. smokers are significantly happier when cigarette excise taxes increase, perhaps because the increases help them quit or cutback.]⁶

State tobacco-tax increases improve the health of low-income smokers and their families and significantly reduce their related costs.

Those who stop smoking in response to cigarette tax increases will greatly improve their own health, which could significantly reduce their health costs. Because of their higher rate of illness and disability, smokers have, on average, substantially higher annual and lifetime health care costs than nonsmokers or former smokers, despite living shorter lives.⁷ Smokers who quit or cutback will also help reduce the amount of secondhand smoke their family members, friends, and coworkers are exposed to -- thereby producing additional health improvements and related cost savings for their families and communities.⁸

Other benefits to low-income families and communities from state tobacco-tax increases.

Low-income smokers and their communities disproportionately benefit when any of the new revenues from cigarette tax increases are directed to new programs to help people quit and to prevent kids from starting – both because smoking is more prevalent among low-income persons and because lower-income persons currently have much less access or exposure to any such programs than people with higher incomes. New revenues from state cigarette tax increases can also prevent cuts to government programs that provide critically needed services to low-income families or communities.

Given the strong support for cigarette tax increases among low-income persons and the enormous benefits those tax increases bring to low-income smokers and their families and communities, the tobacco companies' efforts to "protect" low-income communities from higher cigarette taxes is not only patronizing but runs directly counter to the real interests of those with lower incomes.

The National Center for Tobacco-Free Kids, May 19, 2003 / Eric Lindblom

¹ See, e.g., Market Strategies poll of registered voters (February 24 – March 5, 1998) & Market Facts poll of the general public (September 19, 1997), both commissioned by the Campaign for Tobacco-Free Kids.

² King, G, et al., "African Americans' Attitudes Toward Cigarette Excise Taxes," *American Journal of Public Health* 93(5): 828-834, May 2003, <http://www.ajph.org/content/vol93/issue5/index.shtml>.

³ CDC, *MMWR* 47(29): 605-609 (July 31, 1998), <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm> or <ftp://ftp.cdc.gov/pub/Publications/mmwr/wk/mm4729.pdf>.

⁴ Using CDC data, if lower-income smokers account for 60% of a state's cigarette tax revenues with 40% from higher income smokers, a tax increase that raises the price of a pack by 25% will reduce the number of packs smoked by lower-income persons by about 7.25% and reduce the number of packs smoked by higher-income smokers by 4.25%. After those reductions, lower-income smokers will be paying 59% of all state cigarette tax revenues and higher-income smokers will be paying 41%. Larger cigarette tax increases would have more pronounced effects. CDC, *MMWR* 47(29): 605-609 (July 31, 1998), <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm> or <ftp://ftp.cdc.gov/pub/Publications/mmwr/wk/mm4729.pdf>.

⁵ Townsend, J. L., "Cigarette Tax, Economic Welfare and Social Class Patterns of Smoking," *Applied Economics* 19: 355-365 (1987).

⁶ Gruber, J. & S. Mullainathan, "Do Cigarette Taxes Make Smokers Happier?," National Bureau of Economic Research Working Paper No. w8872, April 2002, <http://econ-www.mit.edu/faculty/gruberj/files/happy81.pdf> and <http://papers.nber.org/papers/W8872>.

⁷ See, e.g., Hodgson, T., "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* (1992); Nusselder, W.J., et al., "Smoking and the Compression of Morbidity," *Epidemiology and Community Health* (2000).

⁸ See, e.g., CFTFK factsheets, *Secondhand Smoke*, and *Harm to Kids from Secondhand Smoke*, www.tobaccofreekids.org/research/factsheets/index19.shtml.