

Taxation Strategies to Reduce Tobacco Use

Background

Increasing tobacco taxes in states is an [effective method for encouraging cessation among youth](#). Economic studies have found that for every 10 percent increase in the real price of cigarettes, [youth smoking rates decrease](#) by six to seven percent. With a \$4.35 tax per pack of cigarettes, New York state has one of the highest tobacco taxes in the United States. The Campaign for Tobacco-Free Kids reported that between 2003 to 2011, New York [reduced smoking among high school students](#) by 38 percent and reduced the rates of current smokers from 20.2 percent to 12.5 percent. Although New York passed this law in 2009, both Washington, D.C. (raised tax to \$4.50) and Connecticut (raised tax to \$4.35) have followed suit over the past two years. New York's strategy is becoming increasingly common among states hoping to reduce tobacco use via tax policies.

Tobacco Tax Enactment and Implementation

Tobacco control program managers and health officials can use effective strategies for adopting and implementing tobacco tax policies, including bundling the policy within a larger package of tobacco-related bills, allowing communities and coalitions to champion advocacy efforts, and supporting implementation efforts. New York state, Connecticut, and Washington, D.C. have successfully implemented tobacco tax policies; outlined below is a summary of their approaches.

- **Incorporating tobacco tax into larger packages:** Bundling tobacco tax policies into a suite of tobacco control bills can help place the policy within the context of a comprehensive tobacco control program. This approach can also foster a broader base of support for the measure and diffuse opposition, which may accelerate the legislative process. Washington, D.C. took this approach by bundling their Tobacco 21 and tobacco tax policies into one larger package; the bill was called the Department of Health Smoking Cessation Fund Amendment Act.
- **Coalition-led advocacy:** Coalitions often serve as champions for tobacco tax policies and can be invaluable in advancing legislation, highlighting the need for effective collaboration with those community groups to guide tax legislative efforts. The dedication and action from the community advocates in Washington, D.C., Connecticut, and New York helped build the foundation for effective tobacco tax policies.
- **Preparation and planning:** In New York, the department of taxation and finance and the department of revenue services oversee the implementation and enforcement of new tax policies. However, the health department plays a key role in informing the public through website updates and other materials. The New York Tobacco Control Program provided an information phone line for retailers and partnered with media outlets to assist with information dissemination to the public in preparation for the policy enactment. State tobacco programs in Washington, D.C. also worked very closely with policy advocates to provide core data in support of tobacco tax implementation before the policy was enacted.

Barriers to Increasing Tobacco Tax

Although evidence supports increasing tobacco taxes as an effective strategy to reduce youth access to tobacco products, taxation inequities still exist across different forms of tobacco products. Barriers include:

- **Tobacco tax parity:** The tobacco tax policies within New York state, Connecticut, and Washington, D.C. only apply to cigarettes and not other tobacco products (OTP), such as e-cigarettes and smokeless tobacco products. Many jurisdictions are in the process of [modernizing their tobacco tax statutes](#) to ensure that other tobacco products are not under-taxed. Connecticut has highlighted taxation inequities across different forms of tobacco products to obtain tax parity through their Connecticut State Health Improvement Plan Tobacco Workgroup. An ideal tax would be based on the value of the product (ad valorem tax) at a [rate that is on par with OTP](#). Establishing tax parity will ensure that a state does not lose revenues when smokers switch from cigarettes to cheaper substitutes, such as cigars, e-cigarettes, smokeless tobacco and OTP, which often have lower tax rates. Equitably [increasing tobacco taxes](#) will further discourage use among youth and young adults.
- **Addressing revenue arguments:** State tobacco taxes are a predictable [source of revenue](#) that states receive. States often rely on tobacco taxes to fund programs like Medicaid, the Children's Health Insurance Program, and educational efforts. States that have significantly raised cigarette taxes benefit from increases in revenue and tobacco cessation services while reducing youth smoking rates. For example, Washington, D.C allocates some of its tobacco tax revenue to fund health programs related to infant mortality and health equity. The revenue generated from increased tobacco taxes was able to fund Tobacco 21 as part of an overall policy package in the District.
- **Tobacco retailer pushback:** Many states receive a considerable amount of pushback from convenience store associations when they increase or seek to increase tobacco taxes. Convenience store owners claim higher tobacco taxes will [negatively affect state businesses](#) by reducing retailer profits and employment. However, economic studies have shown that reducing state cigarette sales will [improve the state's economy and create new jobs](#). Furthermore, reducing smoking-caused expenditures will improve state budgets and reduce state business costs.

Conclusion

As of July 1, 2019, almost every state and the federal government have increased tobacco taxes. While some of these increases have been modest, New York state, Connecticut, and Washington, D.C are leading the charge with tobacco tax policies proven to discourage smoking. Both federal and state governments can increase resources for cessation services and deter smoking by adopting similar policies. While many states are increasing cigarette taxes, it is important to ensure that the tax increases are equitable across tobacco products. With the rise in youth e-cigarette use and increased smokeless tobacco use among rural populations, timely policy will be imperative to curb these growing health threats.