



Myths and Realities of Tobacco Taxes

Experience in other states shows that an increase in tobacco taxes would keep teens from starting to smoke, encourage adult smokers to quit, decrease health care costs and raise revenue. Those opposing such a move will undoubtedly hide behind a laundry list of excuses, so we have outlined some typical reasons people give for not supporting our efforts. At first glance, some of these excuses may appear to have merit, but look further to learn the truth.

With Arkansas' current tobacco excise tax rate of 34-cents, a 30 percent sales tax increase would bring our tobacco tax more in line with current cigarette costs, and in line with the national average of state cigarette taxes of 62 cents.

Myth: Arkansas' current 34-cents per pack tobacco excise tax is already high enough.

Reality: No, it isn't. When compared to other states, Arkansas's tobacco tax ranks 32nd (1 = high).
(Source: Campaign for Tobacco Free Kids, December 8, 2002)

Myth: Arkansas doesn't have a problem with teen tobacco use.

Reality: Unfortunately, we do have a serious problem. In fact, we have one of the highest rates of teen tobacco use in the country. Studies show 43.8 percent of Arkansas high school students and 22.4 percent of Arkansas middle school students are currently using tobacco products. Sadly, unless something is done to discourage teens from using tobacco products, as many as 66,957 of our youth will die prematurely from smoking⁽³⁾.

Myth: Tobacco taxes don't keep kids from smoking.

Reality: On the contrary, tobacco taxes are very effective at keeping kids from smoking. Youth are most directly affected by an increase in the cost of cigarettes. A recent study found that a 10-percent increase in the price of cigarettes would decrease the number of children who start to smoke by between three and ten percent depending upon their stage of smoking⁽⁴⁾. Most smokers actually begin smoking as adolescents; in fact, the average age of initiation is 12½. More than 80 percent of adult smokers began smoking before age 18.

Myth: Tobacco taxes put an unfair burden on minorities and low-income smokers. (Tobacco taxes are regressive.)

Reality: Youth, minorities and low-income smokers are two to three times more likely to quit or smoke less than other smokers in response to price increases ⁽⁶⁾. Higher smoking rates among lower-income groups means that lower-income families and communities are now suffering the most from smoking and will, consequently, benefit the most from an increased tobacco tax on cigarettes.

Cigarette companies argue that tobacco tax increases are regressive and create an unfair burden on those with lower incomes. This is untrue. Higher smoking rates among lower income groups means that lower income families and communities suffer the most from smoking. Therefore, lower income populations would benefit greatly from any measures taken to reduce smoking, including raised sales taxes on tobacco.

Myth: Tobacco companies have already suffered enough by paying billions in the tobacco settlement.

Reality: The tobacco companies are enjoying unprecedented profits. Since the 1980s, Philip Morris' annual cigarette revenues have more than quadrupled to \$42.7 billion in 1998, while its profits from cigarettes have roughly tripled to \$6.5 billion (even after deducting \$3.4 billion to cover costs associated with the state tobacco settlements). Since 1980, the prices charged for cigarettes in the United States by the cigarette companies have increased by more than 270 percent, roughly three times the rate of inflation ⁽⁸⁾.

Myth: A tobacco tax increase wouldn't raise significant revenue for our state.

Reality: We consider \$229.2 million in new revenue significant, even accounting for some leakage to other states ⁽⁹⁾. An increase in the tobacco tax would also save an estimated \$704.9 million in long-term health care costs and prevent 39,700 youth from smoking in Arkansas ⁽¹⁰⁾.

It is estimated a 30% increase in the tobacco tax would raise an additional \$229.2 million in revenue for Arkansas. Our state currently spends more than \$633 million in health care costs to treat tobacco-related health expenses ⁽¹⁰⁾.

Studies consistently report that each state which has significantly increased its cigarette tax has seen a significant increase in state revenues ⁽³⁾. The Coalition for a Tobacco Free Arkansas realizes the tremendous impact raised tobacco taxes has had in other states, and feel that raising Arkansas' tobacco tax would greatly reduce smoking, raise revenue and significantly decrease health care costs.

Myth: Our state legislature won't support an increased tax on tobacco.

Reality: Now is the time to raise Arkansas' tobacco tax. As time passes, inflation diminishes the value of cigarette tax rates and revenues because the taxes are so small in comparison to the total price per pack of cigarettes. By increasing state tobacco taxes, we help to return the tax rate to historical levels while reducing smoking, reducing the cost of smoking-related illnesses and helping to raise revenue (*Source: State Cigarette Tax Rates and Rank, Date of Last Increase, Annual Pack and Sales and Revenues, and Related Data,* Campaign for Tobacco Free Kids, October 2002).

Myth: Tobacco will be smuggled into our state meaning lost revenue.

Reality: Yes, there may be some smuggling. However, it will not be sufficient enough to interfere with our two goals of increased revenue for the state and saving lives. To date no state has repealed a tobacco tax increase because of smuggling.

Myth: If a higher tobacco tax means people will quit smoking, how will programs operate (like Medicaid) which rely on the money?

Reality: Tobacco use is the number one preventable cause of death in our state. It is proven higher tobacco taxes reduce smoking rates, thus saving thousands of lives. By combining a tobacco tax with programs to discourage initiation and help smokers quit, we will reduce smoking even further, saving lives and dollars. Decreased smoking rates means our state will pay less money in long-term healthcare and other costs associated with tobacco use and secondhand smoke. The revenue produced by the tax is simply an additional benefit the state will accrue, despite the declines in smoking that will occur as a result of the price increase. While it is unlikely, should the declines in smoking ever actually cause revenues to decrease, the savings in healthcare costs would ultimately more than make up for the decline in tobacco tax revenue. The money that is currently used to pay these costs can then be redistributed to other meaningful programs.

1. *National Center for Tobacco-Free Kids, October 2001.*
2. *National Center for Tobacco-Free Kids, October 2001.*
3. *Arkansas 1999 and 2000 Youth Tobacco Studies/Centers for Disease Control and Prevention.*
4. *"Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," University of Illinois at Chicago and the University of Michigan Institute for Social Research, April 2001.*
5. *"Substance Abuse: The Nation's Number One Health Problem," Robert Wood Johnson Foundation Chartbook, 2000.*
6. *Centers for Disease Control Web site, "Reducing Tobacco Use: A Report of the Surgeon General. U.S. Department of Health & Human Services, Centers for Disease Control & Prevention, National Center for Chronic Disease Prevention & Health Promotion, Office on Smoking & Health, 2000.*
7. *"State Cigarette Tax Increases Will Not Hurt U.S. Tobacco Farmers or Cigarette Factory Workers," Campaign for Tobacco-Free Kids, December, 2000.*
8. *"State Cigarette Tax Increases Will Not Hurt U.S. Tobacco Farmers or Cigarette Factory Workers," Campaign for Tobacco-Free Kids, December 2000.*
9. *National Center for Tobacco-Free Kid, January 2003*
10. *National Center for Tobacco-Free Kid, January 2003*