

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**SPIT TOBACCO AND YOUTH:  
ADDITIONAL ANALYSIS**



JUNE 1993

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**SPIT TOBACCO AND YOUTH: ADDITIONAL ANALYSIS**  
**OEI 06-92-00501**

**Purpose**

To describe the potential impact of raising the Federal excise tax on spit tobacco in discouraging use of these dangerous products by youth and in raising substantial Federal revenues for health care.

**Background**

In December 1992, the Office of Inspector General released "Spit Tobacco and Youth" (OEI 06-92-00500), a report describing the present status of youth use of spit tobacco (moist snuff and chewing tobacco). The Surgeon General, in official comments, characterized spit tobacco use as an epidemic of oral cancer in the making if young people continue to use this dangerous product. Specifically, the report found that currently, after great increases in use since 1970, nearly 1 in 5 high school males use spit tobacco. Rates for some States, localities or ethnic groups are even higher. In addition, spit tobacco contains carcinogenic and addictive substances that, in the long run, assure continuous use of spit or smoked tobacco, and greatly increased risk for cancer and other diseases. The report strongly urged the Department of Health and Human Services, the Federal Trade Commission and the Department of the Treasury to re-examine national tobacco control policy, including higher excise taxes, indexed for inflation, on spit tobacco. This supplemental report provides additional analysis to assist in evaluating those recommendations.

**Findings**

*The Federal excise tax on spit tobacco is disproportionately low compared to the cigarette tax.*

The Federal excise tax on spit tobacco is a fraction of Federal rates on cigarettes or of State rates on spit tobacco. The 1993 Federal excise tax is 2.8¢ per 1.2 ounce tin of snuff and 2.4¢ per 3 ounce pouch of chewing tobacco. This Federal tax rate is approximately 1.1% of the estimated average retail price for these products. In contrast, the 24¢ Federal excise tax on cigarettes is ten times the spit tobacco rate, i.e., 24¢ on a pack of cigarettes is 11% of the estimated average retail price. Using rates from the 32 States which currently have spit tobacco excise taxes, we estimated a mean State tax rate of 25% of the wholesale price. Again, the Federal excise tax is only 1.7% of the estimated wholesale price.

By way of contrast, average State taxes on spit tobacco and cigarettes are comparable.

***Raising spit tobacco prices through excise taxes is a promising strategy for discouraging youth use.***

Our survey and other research show that raising the price of spit tobacco through increased excise taxes holds significant promise for discouraging use of dangerous spit tobacco products by youth. In our recent study, 44 percent of the 1992 young spit tobacco users claimed they would stop using spit tobacco if the price increased a lot. The existing research indicates that for the adult population, a tobacco product such as cigarettes has a price elasticity of demand of approximately -0.4, meaning that a 10 percent increase in price reduces the quantity of cigarettes demanded by 4 percent.<sup>1</sup> However, for young people the price elasticity of demand is even greater at approximately -1.44 (or a 14.4% decrease in consumption for a 10% increase in price).<sup>2</sup> This indicates that any price increases associated with increased excise taxes would result in much greater decreases in demand for tobacco products by this population. This price sensitivity by young people would significantly decrease the number of current and potential new users of tobacco products in the long run. Therefore, raising Federal excise taxes on spit tobacco products is a very powerful health promotion strategy.

Since the majority of youth start spit tobacco use before the age of 12, an increase in the Federal excise tax would deter future use of this dangerous product in subsequent generations, helping to avert the epidemic of oral cancer many researchers fear.

***Substantial Federal revenues – hundreds of millions – can be realized annually by increasing the excise tax on spit tobacco.***

As implied by the first finding, several logical and viable options exist for increasing Federal excise taxes on spit tobacco. Depending upon the approach used, we estimate Federal revenues ranging from \$221 million to \$2 billion annually can be generated. The principle applied by each of these methods is that spit tobacco should be treated as just another tobacco product, thus removing its current special tax status. The first option is to remove the current discrepancy between rates for spit tobacco and those for cigarettes. The remaining options illustrate revenues generated from applying to spit tobacco higher rates of excise tax comparable to those sometimes proposed for cigarettes. Our revenue estimates are based on current consumption rates and do not predict possible market and behavior adjustments by producers or consumers.

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<sup>1</sup> U.S. Department of Health and Human Services, Centers for Disease Control, Office of Smoking and Health, *Reducing the Health Consequences of Smoking: 25 Years of Progress, a report of the Surgeon General*, Publication No. (CDC) 533-542, 1989.

<sup>2</sup> Lewit, E.M., D. Coate, and M. Grossman, "The effects of government regulation on teenage smoking," *Journal of Law and Economics*, 24:545-569, December 1981.

Four prominent options for increasing the Federal excise tax on spit tobacco:

- **A tax comparable to current cigarette taxes.**  

<u>\$221 million annually</u>	Raise the Federal excise tax on spit tobacco from 1.1% to 11% of the average estimated retail price.
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- **A tax comparable to the proposed cigarette tax of \$1 or \$2 per pack.**

<u>\$1 billion annually</u>	<b>\$1 per pack:</b> Raise the Federal excise tax on spit tobacco from 1.1% to 44% of the average estimated retail price.
<u>\$2 billion annually</u>	<b>\$2 per pack:</b> Raise the Federal excise tax on spit tobacco from 1.1% to 89% of the average estimated retail price.
  
- **A tax comparable to existing State excise taxes on spit tobacco.**  

<u>\$349 million annually</u>	Raise the Federal excise tax on spit tobacco from 1.7% to 25% (mean State tax rate) of the average estimated wholesale price for a 1.2 ounce tin or 3 ounce pouch.
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- **A tax comparable to the Federal Canadian tax on spit tobacco.**  

<u>\$1.7 billion annually</u>	Raise the Federal excise tax on snuff to \$1.90 per tin and on chew to \$1.68 per pouch.
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Details, and the assumptions upon which these options are based, are included in the attachments.

To the extent that the higher excise tax would discourage use of these tobacco products, the above estimates may somewhat overstate the amount of revenues that would be realized. However, given that the demand for tobacco products for the overall population is not as elastic as for young tobacco users, much of the new excise tax would be passed on to the general consumer. Thus, the decrease in use of these products among youth would be disproportionately higher than the reduction in tax revenues from the general population. Both the health effect of and the revenue producing aspects of the proposal would remain strong.

## **Conclusion**

Raising the Federal excise tax on spit tobacco is warranted on the basis of its inconsistency with other tobacco products and its potential for protecting the nation's youth by discouraging their use of addictive, carcinogenic tobacco products that endanger their health. In addition, it would raise substantial revenues that could be used to finance health care initiatives.

**Excise Tax Calculations**  
**Option 1:**  
**Implement a Federal Excise Tax on**  
**Spit Tobacco Comparable to the Existing Cigarette Tax**

1.	Estimated price of cigarettes	≈ \$2.25/pack
2.	1993 Federal excise tax (FET) on cigarettes (24¢/pack + \$2.25)	≈ 24¢/pack ≈ 11.0% of purchase price
3.	Estimated retail price of snuff	≈ \$2.50/can
4.	Estimated retail price of chewing tobacco	≈ \$2.00/pouch
5.	Estimation of implementing a FET comparable to the existing cigarette tax (Snuff: \$2.50 x 11.0%) (Chew: \$2.00 x 11.0%)	≈ 27.5¢/can ≈ 22.0¢/pouch
6.	Difference in our proposed FET & existing FET (Snuff: 27.5¢/can - 2.8¢/can) (Chew: 22.0¢/pouch - 2.4¢/pouch)	≈ 24.7¢/can ≈ 19.6¢/pouch
7.	1991 snuff sales <sup>1</sup> (16 oz ÷ 1.2 oz/can) (47,056,000 x 13 units/lb)	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
8.	1991 loose leaf, plug and twist sales <sup>1,3</sup> (16 oz ÷ 3.0 oz/pouch) (71,300,000 x 5 units/lb)	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
9.	Estimate of additional revenue generated if spit tobacco FET tax is made comparable to the 1993 FET cigarette tax (Snuff: 24.7¢/can x 612 million units <sup>2</sup> ) (Chew: 19.6¢/pouch x 356.5 million units <sup>2</sup> )	≈ \$151,164,000 ≈ \$69,874,000
10.	<b>Total additional revenue generated by raising FET on spit tobacco to comparable FET cigarette tax levels</b>	<b>≈ \$221,038,000</b>

<sup>1</sup> Based on the Maxwell Consumer Report, April 1992

<sup>2</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>3</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable  
to loose leaf which comprises most of non-snuff spit tobacco sales.



**Excise Tax Calculations**  
**Option 2-A:**  
**Implement a Federal Excise Tax on Spit Tobacco**  
**Comparable to the Proposed Cigarette Tax of \$1.00/pack**

1.	Estimated price of cigarettes	≈ \$2.25/pack
2.	Proposed Federal excise tax (FET) on cigarettes (\$1.00/pack + \$2.25)	= \$1.00/pack ≈ 44.0% of purchase price
3.	Estimated retail price of snuff	≈ \$2.50/can
4.	Estimated retail price of chewing tobacco	≈ \$2.00/pouch
5.	Estimation of implementing a FET comparable to the proposed cigarette tax (Snuff: \$2.50 x 44.0%) (Chew: \$2.00 x 44.0%)	≈ \$1.10/can ≈ 88.0¢/pouch
6.	Difference in our proposed FET & existing FET (Snuff: \$1.10/can - 2.8¢/can) (Chew: 88.0¢/pouch - 2.4¢/pouch)	≈ \$1.07/can ≈ 85.60¢/pouch
7.	1991 snuff sales <sup>1</sup> (16 oz + 1.2 oz/can) (47,056,000 x 13 units/lb)	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
8.	1991 loose leaf, plug and twist sales <sup>1,3</sup> (16 oz + 3.0 oz/pouch) (71,300,000 x 5 units/lb)	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
9.	Estimate of additional revenue generated if spit tobacco FET tax is made comparable to the proposed FET cigarette tax (Snuff: \$1.07/can x 612 million units <sup>2</sup> ) (Chew: 85.60¢/pouch x 356.5 million units <sup>2</sup> )	≈ \$654,840,000 ≈ \$305,164,000
10.	Total additional revenue generated by raising FET on spit tobacco to comparable proposed cigarette tax levels	≈ \$960,004,000

<sup>1</sup> Based on the Maxwell Consumer Report, April 1992

<sup>2</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>3</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable to loose leaf which comprises most of non-snuff spit tobacco sales.

**Excise Tax Calculations**  
**Option 2-B:**  
**Implement a Federal Excise Tax on Spit Tobacco**  
**Comparable to the Proposed Cigarette Tax of \$2.00/pack**

1.	Estimated price of cigarettes	≈ \$2.25/pack
2.	Proposed Federal excise tax (FET) on cigarettes (\$2.00/pack ÷ \$2.25)	≈ \$2.00/pack ≈ 89.0% of purchase price
3.	Estimated retail price of snuff	≈ \$2.50/can
4.	Estimated retail price of chewing tobacco	≈ \$2.00/pouch
5.	Estimation of implementing a FET comparable to the proposed cigarette tax (Snuff: \$2.50 x 89.0%) (Chew: \$2.00 x 89.0%)	≈ \$2.23/can ≈ \$1.78/pouch
6.	Difference in proposed FET & existing FET (Snuff: \$2.23/can - 2.8¢/can) (Chew: \$1.78/pouch - 2.4¢/pouch)	≈ \$2.20/can ≈ \$1.76/pouch
7.	1991 snuff sales <sup>1</sup> (16 oz + 1.2 oz/can) (47,056,000 x 13 units/lb)	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
8.	1991 loose leaf, plug and twist sales <sup>1,3</sup> (16 oz + 3.0 oz/pouch) (71,300,000 x 5 units/lb)	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
9.	Estimate of additional revenue generated if FET spit tobacco tax is made comparable to the proposed FET cigarette tax (Snuff: \$2.20/can x 612 million units <sup>2</sup> ) (Chew: \$1.76/pouch x 356.5 million units <sup>2</sup> )	≈ \$1,346,400,000 ≈ \$ 627,440,000
10.	<b>Total additional revenue generated by raising FET on spit tobacco to comparable proposed FET cigarette tax levels</b>	<b>≈ \$1,973,840,000</b>

<sup>1</sup> Based on the Maxwell Consumer Report, April 1992

<sup>2</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>3</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable to loose leaf which comprises most of non-snuff spit tobacco sales.

**Excise Tax Calculations  
Option 3:  
Implement a Federal Excise Tax on Spit Tobacco  
Comparable to Existing State Excise Taxes**

1.	Estimated retail price of snuff (Estimated wholesale price $\approx$ 2/3rd of retail)	$\approx$ \$2.50/can $\approx$ \$1.67/can
2.	Estimated retail price of chewing tobacco (Estimated wholesale price $\approx$ 2/3rd of retail)	$\approx$ \$2.00/pouch $\approx$ \$1.33/pouch
3.	Ounces of snuff per can	1.2 oz/can
4.	Ounces of chewing tobacco per pouch	3.0 oz/pouch
5.	1991 snuff sales <sup>1</sup> (16 oz + 1.2 oz/can) (47,056,000 x 13 units/lb)	47,056,000 lbs $\approx$ 13 units/lb $\approx$ 612 million units
6.	1991 loose leaf, plug and twist sales <sup>1,3</sup> (16 oz + 3.0 oz/pouch) (71,300,000 x 5 units/lb)	71,300,000 lbs $\approx$ 5 units/lb $\approx$ 356.5 million units
7.	Current State excise tax on spit tobacco <sup>4</sup> (State tax on snuff- \$1.67/can x 25.0%) (State tax on chew - \$1.33/pouch x 25.0%)	$\approx$ 25.0% of wholesale price $\approx$ 42¢/can $\approx$ 33¢/pouch
8.	1993 Federal excise tax (FET) on snuff	2.8¢/can
9.	1993 Federal excise tax (FET) on chewing tobacco	2.4¢/pouch
10.	Difference in State excise tax & Federal excise tax (FET) (Snuff: 42¢/can - 2.8¢/can (current FET tax) (Chew: 33¢/pouch - 2.4¢/pouch (current FET tax)	$\approx$ 39¢/can $\approx$ 31¢/pouch
11.	Estimate of additional revenue generated if FET tax is made comparable to the current State excise tax (Snuff: 39¢/can x 612 million units <sup>2</sup> ) (Chew: 31¢/pouch x 356.5 million units <sup>2</sup> )	$\approx$ \$238,680,000 $\approx$ \$110,515,000
12.	Total additional revenue generated by raising FET on spit tobacco to current State excise tax levels	$\approx$ \$349,195,000

<sup>1</sup> Based on the Maxwell Consumer Report, April 1992

<sup>2</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>3</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable to loose leaf  
which comprises most of non-snuff spit tobacco sales.

<sup>4</sup> The State excise tax estimation used in this calculation is based on the mean, median and  
mode of the 32 States with existing spit tobacco excise taxes.

**Excise Tax Calculations**  
**Option 4:**  
**Implement a Federal Excise Tax on Spit Tobacco Comparable**  
**to the Federal Canadian Spit Tobacco Tax**

1.	Estimated price of spit tobacco in Canada	≈ \$4.75/can
2.	Federal excise tax (FET) and duty tax on spit tobacco (snuff) in Canada <sup>1</sup> ( $\$1.90/\text{unit} + \$4.75/\text{can}$ )	≈ \$1.90/can ≈ 40.0% of purchase price
3.	Province (State) excise tax in Canada <sup>1</sup> (varies by Province) ( $\$1.66/\text{unit} + \$4.75/\text{can}$ )	≈ \$1.66/can ≈ 35.0% of purchase price
4.	1991 U.S. snuff sales <sup>2</sup> (16 oz + 1.2 oz/can) ( $47,056,000 \times 13 \text{ units/lb}$ )	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
5.	1991 U.S. loose leaf, plug and twist sales <sup>2,4</sup> (16 oz + 3.0 oz/pouch) ( $71,300,000 \times 5 \text{ units/lb}$ )	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
6.	Current estimated U.S. retail spit tobacco price	≈ \$2.50/can & \$2.00/pouch
7.	1993 Federal excise tax (FET) on snuff 1993 Federal excise tax (FET) on chewing tobacco	= 2.8¢/can = 2.4¢/pouch
8.	Difference in Canadian Federal excise tax (FET) compared to current U.S. federal excise tax (FET) (Snuff: $\$1.90$ (Canadian tax) - 2.8¢ U.S. (FET)) (Chew: $\$1.70^5$ (Canadian tax) - 2.4¢ U.S. (FET))	≈ \$1.87/can ≈ \$1.68/pouch
9.	Estimate of additional revenue generated if FET tax is made comparable to the proposed Canadian FET spit tobacco tax (Snuff: $\$1.87/\text{can} \times 612 \text{ million units}^3$ ) (Chew: $\$1.68/\text{pouch} \times 356.5 \text{ million units}^3$ )	≈ \$1,144,440,000 ≈ \$ 598,920,000
10.	Total additional revenue generated by raising FET on spit tobacco to a level comparable to the Canadian rate	≈ \$1,743,360,000

<sup>1</sup> Combined Canadian Federal and Provincial excise tax on spit tobacco equal to 75% of retail price, the remaining 25% goes to producers.

<sup>2</sup> Based on the Maxwell Consumer Report, April 1992

<sup>3</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>4</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable to loose leaf which comprises most of non-snuff spit tobacco sales.

<sup>5</sup> Canadian Federal excise tax of chewing tobacco based on estimated retail price of \$4.25. (U.S. snuff/chew price difference of 50¢) x 40% (Canadian FET))

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## **SPIT TOBACCO AND YOUTH: ADDITIONAL ANALYSIS**

### **OEI 06-92-00501**

#### **Purpose**

To describe the potential impact of raising the Federal excise tax on spit tobacco in discouraging use of these dangerous products by youth and in raising substantial Federal revenues for health care.

#### **Background**

In December 1992, the Office of Inspector General released "Spit Tobacco and Youth" (OEI 06-92-00500), a report describing the present status of youth use of spit tobacco (moist snuff and chewing tobacco). The Surgeon General, in official comments, characterized spit tobacco use as an epidemic of oral cancer in the making if young people continue to use this dangerous product. Specifically, the report found that currently, after great increases in use since 1970, nearly 1 in 5 high school males use spit tobacco. Rates for some States, localities or ethnic groups are even higher. In addition, spit tobacco contains carcinogenic and addictive substances that, in the long run, assure continuous use of spit or smoked tobacco, and greatly increased risk for cancer and other diseases. The report strongly urged the Department of Health and Human Services, the Federal Trade Commission and the Department of the Treasury to re-examine national tobacco control policy, including higher excise taxes, indexed for inflation, on spit tobacco. This supplemental report provides additional analysis to assist in evaluating those recommendations.

#### **Findings**

***The Federal excise tax on spit tobacco is disproportionately low compared to the cigarette tax.***

The Federal excise tax on spit tobacco is a fraction of Federal rates on cigarettes or of State rates on spit tobacco. The 1993 Federal excise tax is 2.8¢ per 1.2 ounce tin of snuff and 2.4¢ per 3 ounce pouch of chewing tobacco. This Federal tax rate is approximately 1.1% of the estimated average retail price for these products. In contrast, the 24¢ Federal excise tax on cigarettes is ten times the spit tobacco rate, i.e., 24¢ on a pack of cigarettes is 11% of the estimated average retail price. Using rates from the 32 States which currently have spit tobacco excise taxes, we estimated a mean State tax rate of 25% of the wholesale price. Again, the Federal excise tax is only 1.7% of the estimated wholesale price.

By way of contrast, average State taxes on spit tobacco and cigarettes are comparable.



***Raising spit tobacco prices through excise taxes is a promising strategy for discouraging youth use.***

Our survey and other research show that raising the price of spit tobacco through increased excise taxes holds significant promise for discouraging use of dangerous spit tobacco products by youth. In our recent study, 44 percent of the 1992 young spit tobacco users claimed they would stop using spit tobacco if the price increased a lot. The existing research indicates that for the adult population, a tobacco product such as cigarettes has a price elasticity of demand of approximately -0.4, meaning that a 10 percent increase in price reduces the quantity of cigarettes demanded by 4 percent.<sup>1</sup> However, for young people the price elasticity of demand is even greater at approximately -1.44 (or a 14.4% decrease in consumption for a 10% increase in price).<sup>2</sup> This indicates that any price increases associated with increased excise taxes would result in much greater decreases in demand for tobacco products by this population. This price sensitivity by young people would significantly decrease the number of current and potential new users of tobacco products in the long run. Therefore, raising Federal excise taxes on spit tobacco products is a very powerful health promotion strategy.

Since the majority of youth start spit tobacco use before the age of 12, an increase in the Federal excise tax would deter future use of this dangerous product in subsequent generations, helping to avert the epidemic of oral cancer many researchers fear.

***Substantial Federal revenues – hundreds of millions – can be realized annually by increasing the excise tax on spit tobacco.***

As implied by the first finding, several logical and viable options exist for increasing Federal excise taxes on spit tobacco. Depending upon the approach used, we estimate Federal revenues ranging from \$221 million to \$2 billion annually can be generated. The principle applied by each of these methods is that spit tobacco should be treated as just another tobacco product, thus removing its current special tax status. The first option is to remove the current discrepancy between rates for spit tobacco and those for cigarettes. The remaining options illustrate revenues generated from applying to spit tobacco higher rates of excise tax comparable to those sometimes proposed for cigarettes. Our revenue estimates are based on current consumption rates and do not predict possible market and behavior adjustments by producers or consumers.

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<sup>1</sup> U.S. Department of Health and Human Services, Centers for Disease Control, Office of Smoking and Health, *Reducing the Health Consequences of Smoking: 25 Years of Progress, a report of the Surgeon General*, Publication No. (CDC) 533-542, 1989.

<sup>2</sup> Lewit, E.M., D. Coate, and M. Grossman, "The effects of government regulation on teenage smoking," *Journal of Law and Economics*, 24:545-569, December 1981.

Four prominent options for increasing the Federal excise tax on spit tobacco:

- **A tax comparable to current cigarette taxes.**  

<u>\$221 million annually</u>	Raise the Federal excise tax on spit tobacco from 1.1% to 11% of the average estimated retail price.
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- **A tax comparable to the proposed cigarette tax of \$1 or \$2 per pack.**  

<u>\$1 billion annually</u>	<b>\$1 per pack:</b> Raise the Federal excise tax on spit tobacco from 1.1% to 44% of the average estimated retail price.
<u>\$2 billion annually</u>	<b>\$2 per pack:</b> Raise the Federal excise tax on spit tobacco from 1.1% to 89% of the average estimated retail price.
  
- **A tax comparable to existing State excise taxes on spit tobacco.**  

<u>\$349 million annually</u>	Raise the Federal excise tax on spit tobacco from 1.7% to 25% (mean State tax rate) of the average estimated wholesale price for a 1.2 ounce tin or 3 ounce pouch.
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- **A tax comparable to the Federal Canadian tax on spit tobacco.**  

<u>\$1.7 billion annually</u>	Raise the Federal excise tax on snuff to \$1.90 per tin and on chew to \$1.68 per pouch.
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Details, and the assumptions upon which these options are based, are included in the attachments.

To the extent that the higher excise tax would discourage use of these tobacco products, the above estimates may somewhat overstate the amount of revenues that would be realized. However, given that the demand for tobacco products for the overall population is not as elastic as for young tobacco users, much of the new excise tax would be passed on to the general consumer. Thus, the decrease in use of these products among youth would be disproportionately higher than the reduction in tax revenues from the general population. Both the health effect of and the revenue producing aspects of the proposal would remain strong.

## **Conclusion**

**Raising the Federal excise tax on spit tobacco is warranted on the basis of its inconsistency with other tobacco products and its potential for protecting the nation's youth by discouraging their use of addictive, carcinogenic tobacco products that endanger their health. In addition, it would raise substantial revenues that could be used to finance health care initiatives.**

**Excise Tax Calculations**  
**Option 1:**  
**Implement a Federal Excise Tax on**  
**Spit Tobacco Comparable to the Existing Cigarette Tax**

1.	Estimated price of cigarettes	≈ \$2.25/pack
2.	1993 Federal excise tax (FET) on cigarettes (24¢/pack + \$2.25)	≈ 24¢/pack ≈ 11.0% of purchase price
3.	Estimated retail price of snuff	≈ \$2.50/can
4.	Estimated retail price of chewing tobacco	≈ \$2.00/pouch
5.	Estimation of implementing a FET comparable to the existing cigarette tax (Snuff: \$2.50 x 11.0%) (Chew: \$2.00 x 11.0%)	≈ 27.5¢/can ≈ 22.0¢/pouch
6.	Difference in our proposed FET & existing FET (Snuff: 27.5¢/can - 2.8¢/can) (Chew: 22.0¢/pouch - 2.4¢/pouch)	≈ 24.7¢/can ≈ 19.6¢/pouch
7.	1991 snuff sales <sup>1</sup> (16 oz + 1.2 oz/can) (47,056,000 x 13 units/lb)	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
8.	1991 loose leaf, plug and twist sales <sup>1,3</sup> (16 oz + 3.0 oz/pouch) (71,300,000 x 5 units/lb)	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
9.	Estimate of additional revenue generated if spit tobacco FET tax is made comparable to the 1993 FET cigarette tax (Snuff: 24.7¢/can x 612 million units <sup>2</sup> ) (Chew: 19.6¢/pouch x 356.5 million units <sup>2</sup> )	≈ \$151,164,000 ≈ \$69,874,000
10.	Total additional revenue generated by raising FET on spit tobacco to comparable FET cigarette tax levels	≈ \$221,038,000

<sup>1</sup> Based on the Maxwell Consumer Report, April 1992

<sup>2</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>3</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable  
to loose leaf which comprises most of non-snuff spit tobacco sales.



**Excise Tax Calculations**  
**Option 2-A:**  
**Implement a Federal Excise Tax on Spit Tobacco**  
**Comparable to the Proposed Cigarette Tax of \$1.00/pack**

1.	Estimated price of cigarettes	≈ \$2.25/pack
2.	Proposed Federal excise tax (FET) on cigarettes ( $\$1.00/\text{pack} \div \$2.25$ )	≈ \$1.00/pack ≈ 44.0% of purchase price
3.	Estimated retail price of snuff	≈ \$2.50/can
4.	Estimated retail price of chewing tobacco	≈ \$2.00/pouch
5.	Estimation of implementing a FET comparable to the proposed cigarette tax (Snuff: $\$2.50 \times 44.0\%$ ) (Chew: $\$2.00 \times 44.0\%$ )	≈ \$1.10/can ≈ 88.0¢/pouch
6.	Difference in our proposed FET & existing FET (Snuff: $\$1.10/\text{can} - 2.8\text{¢}/\text{can}$ ) (Chew: $88.0\text{¢}/\text{pouch} - 2.4\text{¢}/\text{pouch}$ )	≈ \$1.07/can ≈ 85.60¢/pouch
7.	1991 snuff sales <sup>1</sup> (16 oz ÷ 1.2 oz/can) (47,056,000 × 13 units/lb)	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
8.	1991 loose leaf, plug and twist sales <sup>1,2</sup> (16 oz ÷ 3.0 oz/pouch) (71,300,000 × 5 units/lb)	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
9.	Estimate of additional revenue generated if spit tobacco FET tax is made comparable to the proposed FET cigarette tax (Snuff: $\$1.07/\text{can} \times 612 \text{ million units}^2$ ) (Chew: $85.60\text{¢}/\text{pouch} \times 356.5 \text{ million units}^2$ )	≈ \$654,840,000 ≈ \$305,164,000
10.	Total additional revenue generated by raising FET on spit tobacco to comparable proposed cigarette tax levels	≈ \$960,004,000

<sup>1</sup> Based on the Maxwell Consumer Report, April 1992

<sup>2</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>3</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable to loose leaf which comprises most of non-snuff spit tobacco sales.

### Excise Tax Calculations

#### Option 4:

#### Implement a Federal Excise Tax on Spit Tobacco Comparable to the Federal Canadian Spit Tobacco Tax

1.	Estimated price of spit tobacco in Canada	≈ \$4.75/can
2.	Federal excise tax (FET) and duty tax on spit tobacco (snuff) in Canada <sup>1</sup> (\$1.90/unit + \$4.75/can)	≈ \$1.90/can ≈ 40.0% of purchase price
3.	Province (State) excise tax in Canada <sup>1</sup> (varies by Province) (\$1.66/unit + \$4.75/can)	≈ \$1.66/can ≈ 35.0% of purchase price
4.	1991 U.S. snuff sales <sup>2</sup> (16 oz + 1.2 oz/can) (47,056,000 x 13 units/lb)	47,056,000 lbs ≈ 13 units/lb ≈ 612 million units
5.	1991 U.S. loose leaf, plug and twist sales <sup>2,4</sup> (16 oz + 3.0 oz/pouch) (71,300,000 x 5 units/lb)	71,300,000 lbs ≈ 5 units/lb ≈ 356.5 million units
6.	Current estimated U.S. retail spit tobacco price	≈ \$2.50/can & \$2.00/pouch
7.	1993 Federal excise tax (FET) on snuff 1993 Federal excise tax (FET) on chewing tobacco	= 2.8¢/can = 2.4¢/pouch
8.	Difference in Canadian Federal excise tax (FET) compared to current U.S. federal excise tax (FET) (Snuff: \$1.90 (Canadian tax) - 2.8¢ U.S.(FET)) (Chew: \$1.70 <sup>5</sup> (Canadian tax) - 2.4¢ U.S. (FET))	≈ \$1.87/can ≈ \$1.68/pouch
9.	Estimate of additional revenue generated if FET tax is made comparable to the proposed Canadian FET spit tobacco tax (Snuff: \$1.87/can x 612 million units <sup>3</sup> ) (Chew: \$1.68/pouch x 356.5 million units <sup>3</sup> )	≈ \$1,144,440,000 ≈ \$ 598,920,000
10.	Total additional revenue generated by raising FET on spit tobacco to a level comparable to the Canadian rate	≈ \$1,743,360,000

<sup>1</sup> Combined Canadian Federal and Provincial excise tax on spit tobacco equal to 75% of retail price, the remaining 25% goes to producers.

<sup>2</sup> Based on the Maxwell Consumer Report, April 1992

<sup>3</sup> Assumes annual sales level the same as 1991  
(actual annual increase is around 4-5%)

<sup>4</sup> Prices & ounces per unit for plug, moist plug & twist are roughly comparable to loose leaf which comprises most of non-snuff spit tobacco sales.

<sup>5</sup> Canadian Federal excise tax of chewing tobacco based on estimated retail price of \$4.25. (U.S. snuff/chew price difference = 40% (Canadian FET))