

State Excise Tax Fact Sheet

Taxes on tobacco help reduce the number of tobacco users

An estimated 438,000 people die prematurely in the United States each year and another 8.6 million have a serious illness caused by smoking or exposure to secondhand smoke. According to the Centers for Disease Control and Prevention (CDC)'s Best Practices for Comprehensive Tobacco Control Programs—2007, the more that states spend on comprehensive tobacco control, the greater the reduction in smoking rates, which reduces death and disease related to tobacco use. Additionally, if states were to meet their recommended level of investment in tobacco control, smoking rates would be reduced by 5 million.¹

According to the Surgeon General, “substantial increases in the excise taxes on cigarettes would have considerable impact on the prevalence of smoking and, in the long-term, reduce the adverse health effects caused by tobacco.” CDC found that an increase in excise taxes in Massachusetts, for example, when combined with an anti-smoking campaign, produced a 19.7 percent decline in cigarette consumption per capita four years after the tax increase was initiated.²

Adolescents are particularly sensitive to tobacco product price increases and a study by the independent CDC Task Force on Community Prevention Services concluded that increasing the unit price for tobacco products is an effective method for reducing tobacco use among young adults and adolescents.³ The largest impact on cigarette demand for teens is the perceived price of cigarettes.^{4,5} Excise taxes on tobacco products are especially effective in discouraging youth who have not developed an addiction to tobacco from becoming users, thus protecting their health and increasing their likelihood of remaining tobacco-free.⁶

A 10 percent increase in the price of a pack of cigarettes, for example, can cause a 9 to 15 percent decrease in cigarette smoking among adolescents – an effect of up to three times greater than the effect of price on adults.^{6,7}

Increasing the tax on cigarettes would also cut medical costs and would increase productivity in the United States. It is estimated that more than \$75 billion per year is spent in medical costs for those suffering from the health effects of smoking and an additional \$92 billion per year is lost to lost productivity.⁸ The potential savings, plus investment from tax revenues, could be used to stimulate other sectors of the economy with \$45 billion in investments through 2025.⁹

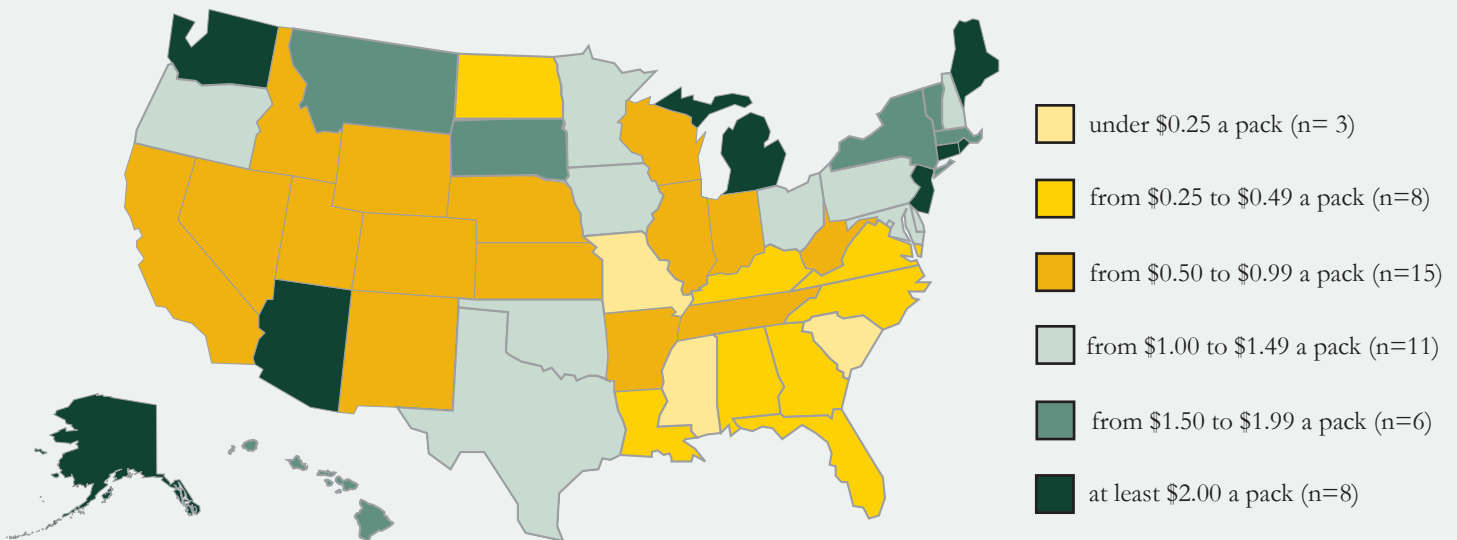
States' activity to reduce tobacco use through excise taxes

Through December 31, 2007, the state excise tax on cigarettes ranges from \$0.07 per pack in South Carolina to \$2.58 per pack in New Jersey and the federal tax is \$0.39 per pack. Three states (Mississippi, Missouri, and South Carolina) have an excise tax on cigarettes that is under \$0.25 per pack. Twenty-three states have an excise tax on cigarettes from \$0.25 to \$0.99 per pack. Seventeen states have cigarette excise taxes from \$1.00 to \$1.99 per pack. Eight states—Alaska, Arizona, Connecticut, Maine, Michigan, New Jersey, Rhode Island, and Washington—have a cigarette excise tax of at least \$2.00 per pack. This is an increase from 2006, when only five states had an excise tax rate that high.

Unlike the tax on cigarettes (calculated per pack), the tax on smokeless tobacco is measured in either a dollar amount per ounce or as a percentage of a price (such as the wholesale or manufacturer's price) and the calculations vary by state. For example, Maine's tax on smokeless tobacco is set at 78 percent of the wholesale sales price, whereas the District of Columbia's smokeless tobacco tax is calculated at 12 percent of the retail sales price. Eleven states also have specific defined excise taxes on certain types of smokeless tobacco, such as chewing tobacco and snuff. Pennsylvania is the only state that does not have an excise tax on smokeless tobacco.

Excise Tax Rates on Packs of Cigarettes by State

(n=51, as of December 31, 2007)





STATE

State Tobacco Activities Tracking & Evaluation System

States Tobacco Taxes by Type in effect as of December 31, 2007

State	Cigarettes (per pack)	Smokeless	Chewing Tobacco (per ounce)	Snuff (per ounce)
Alabama	\$0.425		\$0.015	\$0.010
Alaska	\$2.000	75% of the wholesale sales price		
Arizona	\$2.000		\$0.2225	\$0.2225
Arkansas	\$0.565	32% of the manufacturer's sales price		
California	\$0.870	45.13% of the wholesale sales price		
Colorado	\$0.840	40% of the manufacturer's list price		
Connecticut	\$2.000	20% of the wholesale sales price		\$0.400
Delaware	\$1.150	15% of the wholesale sales price		\$0.540
District of Columbia	\$1.000	12% of the retail sales price		
Florida	\$0.339	25% of the wholesale sales price		
Georgia	\$0.370	10% of the wholesale cost price		
Hawaii	\$1.800	40% of the wholesale sales price		
Idaho	\$0.570	40% of the wholesale sales price		
Illinois	\$0.980	18% of the wholesale sales price		
Indiana	\$0.995	24% of the wholesale sales price		
Iowa	\$1.360	50% of the wholesale sales price		\$1.190
Kansas	\$0.790	10% of the wholesale sales price		
Kentucky	\$0.300	7.5% of the wholesale sales price		\$0.063
Louisiana	\$0.360	20% of the manufacturer's invoice price		
Maine	\$2.000	78% of the wholesale sales price		
Maryland	\$1.000	15% of the wholesale sales price		
Massachusetts	\$1.510	90% of the price paid by licensee/unclassified acquirer		
Michigan	\$2.000	32% of the wholesale sales price		
Minnesota	\$1.230	70% of the wholesale sales price		
Mississippi	\$0.180	15% of the manufacturer's list price		
Missouri	\$0.170	10% of the manufacturer's invoice price		
Montana	\$1.700	50% of the wholesale sales price		\$0.850
Nebraska	\$0.640	20% of the purchase price		
Nevada	\$0.800	30% of the wholesale sales price		
New Hampshire	\$1.080	19% of the wholesale sales price		
New Jersey	\$2.575	30% upon the wholesale sales price		\$0.750
New Mexico	\$0.910	25% of the product value		
New York	\$1.500	37% of the wholesale sales price		
North Carolina	\$0.350	10% of the cost price		
North Dakota	\$0.440	28% of the wholesale purchase price	\$0.160	\$0.600
Ohio	\$1.250	17% of the wholesale sales price		
Oklahoma	\$1.030	60% of the factory list price		
Oregon	\$1.180	65% of the wholesale sales price		
Pennsylvania	\$1.350			
Rhode Island	\$2.460	40% of the wholesale sales price		\$1.000
South Carolina	\$0.070	5% of the manufacturer's list price		
South Dakota	\$1.530	35% of the wholesale purchase price		
Tennessee	\$0.620	6.6% of the wholesale cost price		
Texas	\$1.410	40% of the manufacturer's list price		
Utah	\$0.695	35% of the manufacturer's sales price		
Vermont	\$1.790	41% of the wholesale sales price		\$1.490
Virginia	\$0.300	10% of the manufacturer's sales price		
Washington	\$2.025	75% of the taxable sales price		
West Virginia	\$0.550	7% of the wholesale sales price		
Wisconsin	\$0.770	25% of the manufacturer's list price		
Wyoming	\$0.600	20% of the wholesale purchase price		

* Arkansas' excise tax on cigarettes is \$0.565 per pack unless the state has inadequate funds for breast cancer research and control, when an extra \$0.025 tax is added per pack

Opportunities for reducing tobacco use exist for states

Raising excise taxes on tobacco products, along with other tobacco control measures, is one of the most effective methods to prevent or reduce tobacco use.^{9,10} Many states have taken steps recently to increase the excise taxes on tobacco products in an effort to reduce tobacco use. For example, through 2007, Wisconsin's tax rate on cigarettes is \$0.77 and increased on January 1, 2008 to \$1.77 per pack.

Half (26) of the states, however, have excise tax rates of less than \$1.00 on packs of cigarettes and 11 states have taxes under \$0.50 per pack. Higher excise taxes on tobacco products can act as a stimulus to encourage current users to quit and as a deterrent to non-users from beginning to use tobacco products. States with lower tobacco product taxes also limit their potential to use revenue as dedicated tax revenue for tobacco control. This tobacco control spending can also offset the health costs related to smoking, which the CDC estimates is \$10.28 per pack of cigarettes sold and consumed in the United States.

Since just incremental increases in excise taxes can influence smoking behavior (especially in youth), states can use excise taxes as a tool to raise revenue, reduce both private and public healthcare costs, and improve the health of their citizens.

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State Tobacco Activities Tracking and Evaluation (STATE) System
<http://www.cdc.gov/tobacco/statesystem>

Centers for Disease Control and Prevention
National Center for Chronic Disease Prevention and Health Promotion