

VIRGINIA
STATE CIGARETTE EXCISE TAX INCREASES
ESTIMATED NEW REVENUES, COST SAVINGS, AND OTHER BENEFITS & EFFECTS

Current State Cigarette Tax Rate: 2.5 cents per pack
Rank Among All States: 51st (1 is highest)
Average rate among all states: 57.3 cents per pack
Average Pack Price in State: \$3.20 (including all taxes)

State cigarette tax last raised: 9/1/66
Inflation since then: 454.9%
Inflation-adjusted tax rate would be: 14 cents per pack
Smoking-Caused Costs in State Per Pack Sold: \$5.57

Tax Increase Per Pack	Additional New State Cig Tax Revenue (Millions/Yr)	Additional New State Sales Tax Revenue (Millions/Yr)	Fewer Packs Smoked (Millions)	Youth Smoker Decline	Fewer Future Youth Smokers	Related Lifetime Health Savings (Millions)	Adult Smoker Decline	Fewer Adult Smokers	Related Lifetime Health Savings (Millions)	Youth Future Smoking Deaths Avoided	Adult Smoking -Caused Deaths Avoided	5-Yr Heart & Stroke Savings (Millions)	5-Yr Smoking-Births Savings (Millions)	Overall Long-Term Health Savings (Millions)
0.10	\$65.5	\$1.7	-8.7	-2.1%	8,900	\$106.8	-0.7%	7,200	\$59.4	2,800	1,500	\$2.5	\$1.1	\$166.2
0.15	\$97.6	\$2.6	-13.0	-3.2%	13,300	\$159.6	-1.0%	10,900	\$89.9	4,200	2,300	\$3.8	\$1.7	\$249.5
0.20	\$129.3	\$3.4	-17.4	-4.2%	17,800	\$213.6	-1.3%	14,500	\$119.6	5,600	3,100	\$5.1	\$2.2	\$333.2
0.25	\$160.5	\$4.2	-21.7	-5.3%	22,200	\$266.4	-1.6%	18,100	\$149.3	7,100	3,900	\$6.3	\$2.8	\$415.7
0.30	\$191.4	\$5.0	-26.1	-6.4%	26,700	\$320.4	-2.0%	21,800	\$179.9	8,500	4,700	\$7.6	\$3.4	\$500.3
0.35	\$221.7	\$5.8	-30.4	-7.4%	31,200	\$374.4	-2.3%	25,400	\$209.6	9,900	5,500	\$8.9	\$3.9	\$584.0
0.40	\$251.7	\$6.5	-34.8	-8.5%	35,600	\$427.2	-2.6%	29,000	\$239.3	11,300	6,300	\$10.1	\$4.5	\$666.5
0.45	\$281.2	\$7.3	-39.1	-9.5%	40,100	\$481.2	-2.9%	32,700	\$269.8	12,800	7,100	\$11.4	\$5.0	\$751.0
0.50	\$310.3	\$8.0	-43.5	-10.6%	44,500	\$534.0	-3.3%	36,300	\$299.5	14,200	7,900	\$12.6	\$5.6	\$833.5
0.55	\$338.9	\$8.7	-47.8	-11.7%	49,000	\$588.0	-3.6%	39,900	\$329.2	15,600	8,700	\$13.9	\$6.2	\$917.2
0.60	\$367.1	\$9.3	-52.2	-12.7%	53,400	\$640.8	-3.9%	43,600	\$359.7	17,000	9,500	\$15.2	\$6.7	\$1,000.5
0.65	\$394.9	\$10.0	-56.5	-13.8%	57,900	\$694.8	-4.2%	47,200	\$389.4	18,500	10,300	\$16.4	\$7.3	\$1,084.2
0.70	\$422.2	\$10.6	-60.9	-14.8%	62,400	\$748.8	-4.6%	50,900	\$419.9	19,900	11,100	\$17.7	\$7.8	\$1,168.7
0.75	\$449.1	\$11.2	-65.2	-15.9%	66,800	\$801.6	-4.9%	54,500	\$449.6	21,300	11,900	\$19.0	\$8.4	\$1,251.2
0.80	\$475.6	\$11.8	-69.6	-17.0%	71,300	\$855.6	-5.2%	58,100	\$479.3	22,800	12,700	\$20.2	\$9.0	\$1,334.9
0.85	\$501.6	\$12.4	-73.9	-18.0%	75,700	\$908.4	-5.5%	61,800	\$509.9	24,200	13,500	\$21.5	\$9.5	\$1,418.3
0.90	\$527.2	\$13.0	-78.3	-19.1%	80,200	\$962.4	-5.9%	65,400	\$539.6	25,600	14,300	\$22.8	\$10.1	\$1,502.0
0.95	\$552.4	\$13.5	-82.6	-20.1%	84,600	\$1,015.2	-6.2%	69,000	\$569.3	27,000	15,100	\$24.0	\$10.6	\$1,584.5
1.00	\$577.1	\$14.0	-87.0	-21.2%	89,100	\$1,069.2	-6.5%	72,700	\$599.8	28,500	15,900	\$25.3	\$11.2	\$1,669.0

Cigarette tax increases both boost state revenues and reduce smoking because the increased tax per pack brings in more new revenue than is lost from the prompted declines in pack sales. Sales tax revenues from cigarette sales similarly increase, despite fewer pack sales, because the state sales tax percentage applies to the total retail price of a cigarette pack, including the increased state cigarette tax amount. Healthcare savings from youth smoking declines accrue over the lifetimes of kids alive today who quit or don't start because of the tax. Adult health savings accrue over lifetimes of current adult smokers who quit. Adult plus youth lifetime health savings equals overall long-term health savings. A portion of the adult health savings are from fewer smoking-caused heart attacks and strokes, which produce the listed savings within five years after the tax increase -- and even larger amounts each year after that. Smoking-birth savings from fewer smoking-affected pregnancies. Other substantial immediate savings from the smoking reductions would also accrue.

Parallel increases to state excise taxes on other tobacco products would provide additional new state excise tax and sale tax revenue, reduce the use of these products in the state, and reduce related harms and healthcare costs. For more information, see <http://tobaccofreekids.org/research/factsheets/pdf/0180.pdf>.

Notes & Sources

These projections are based on the well-established estimates that for every 10% increase in cigarette prices youth smoking rates decline by 6.5%, adults rates by 2%, and total consumption by 4.0%. See, e.g., Chaloupka, F. J., "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 2000, and other price studies at <http://tigger.uic.edu/~fjc>; Tauras, J., et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," Bridging the Gap Research, ImpacTeen, April 24, 2001, and other price studies at www.uic.edu/orgs/impacteen. Figures also assume that tax increase is fully passed on in higher prices, and is adjusted for inflation over time. Estimate of starting price per pack includes all federal and statewide excise and sales taxes but not any purely local taxes, and is based on cigarette pricing and tax data available from *The Tax Burden on Tobacco*, 2001; and USDA Economic Research Service, Tobacco Briefing Room, www.ers.usda.gov/Briefing/tobacco.

Avoided premature adult and youth deaths and smoking-caused costs data from U.S. Centers for Disease Control and Prevention (CDC), *State Highlights 2002: Impact and Opportunity*, April 2002, www.cdc.gov/tobacco/StateHighlights.htm; CDC, "Annual Smoking-Attributable Mortality, Years of Potential Life Lost, and Economic Costs -- United States 1995-1999," *MMWR*, April 11, 2002, www.cdc.gov/mmwr/preview/mmwrhtml/mm5114a2.htm. See, also, CDC, "Projected Smoking-Related Deaths Among Youth -- United States," *MMWR* 45(44): 971-974, November 11, 1996, www.cdc.gov/mmwr/mmwr_wk.html. Kids stopped from smoking and from dying prematurely from smoking based on number of kids alive in the state today and current smoking, quitting, and dying trends.

Based on currently available research and data, it is not possible to estimate health savings in each year following a tax increase, or even provide reasonable estimates of the total health care savings over the first five or ten years. Overall, smoking-caused healthcare cost savings from a cigarette tax increase will be relatively small in the first year after the increase but grow quickly.

Healthcare savings from reducing the number of future youth and current adult smokers show cost reductions over the lifetimes of kids alive in Virginia today who quit or don't start because of tax increase and over the lifetimes of those current adult smokers who will quit because of the tax increase, based on Hodgson, T.A., "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1) (1992) [smokers' lifetime healthcare costs average \$12,000 higher than nonsmokers, despite shorter life spans]. Savings for each adult quitter will not equal the \$12,000 because adult smokers have already been significantly harmed from their smoking and have already incurred, on average, some extra, smoking-caused health costs. See, also, Nusselder, W., et al., "Smoking and the Compression of Morbidity," *Epidemiology and Community Health* (2000); Warner, K.E., et al., "Medical Costs of Smoking in the United States: Estimates, Their Validity, and Their Implications," *Tobacco Control* 8(3): 290-300 (Autumn 1999).

5-Year Heart & Stroke Savings show those reductions in statewide healthcare expenditures within first five years after the tax increase from reduced smoking-caused heart attacks and strokes, based on Lightwood & Glantz, "Short-Term Economic and Health Benefits of Smoking Cessation -- Myocardial Infarction and Stroke," *Circulation* 96(4) (August 19, 1997). These savings will increase considerably in subsequent years. Other short-term savings will accrue from declines in smoking among pregnant women, and corresponding reductions in smoking-caused birth complications, and from other declines in smoking-caused health problems and other smoking-caused costs. See, e.g., Miller, D. et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3:25-35 (2001); U.S. Department of the Treasury, *The Economic Costs of Smoking in the U.S. and the Benefits of Comprehensive Tobacco Legislation* (1998).

Projections estimate the effect of the proposed tax increases, alone, and do not account for other factors that may affect smoking rates, revenues, etc., such as national smoking trends; cigarette company price changes and marketing expenditures; and national, state, or local tobacco-prevention efforts. All projected amounts have been rounded down. Projections may change based on the availability of new data or new research findings or on other refinements to the underlying model and formulas. Questions may be directed to Eric Lindblom, Campaign for Tobacco-Free Kids, elindblom@tobaccofreekids.org or 202-296-5469.

So far in 2002, fifteen states and Puerto Rico have increased their cigarette taxes: New York, Connecticut, Utah, Maryland, Nebraska, Kansas, Hawaii, Ohio, Rhode Island, Vermont, Illinois, Louisiana, Indiana, New Jersey, and Pennsylvania. New York City increased its own cigarette tax from eight cents to \$1.50 per pack, as proposed by Mayor Bloomberg (R). More than ten other states are also seriously considering significant increases to their state cigarette taxes.

For more information on state cigarette tax increases, see <http://tobaccofreekids.org/reports/prices>.