

CAMPAIGN For TOBACCO-FREE Kids®

BENEFITS FROM A CIGARETTE TAX INCREASE IN VIRGINIA

Current State Cigarette Tax: 2.5 Cents Per Pack (51st among all states)

Average retail price per pack: \$3.20 (including state cigarette and sales taxes totaling 16 cents).

Smoking-caused costs in state per taxed pack sold in state: \$5.57

Cigarette tax revenue (2001): \$15.1 million. Medicaid Program smoking costs: \$313 million/year.

Last Virginia Cigarette Tax Increase: 9/1/66

- Inflation since then: +454.9% Cigarette price increases since then: +1065.4%
- Today's inflation-adjusted tax rate would be: 14 cents per pack

Projected Benefits From Increasing State Cigarette Taxes By 50 Cents Per Pack

- New state cigarette tax revenues each year: \$310.3 million
- New state sales tax revenues: \$8.0 million
- Fewer packs of cigarettes smoked each year: 43.5 million
- Percent decrease in youth smoking: 10.6%
- Increase in total number of kids alive today who will not become smokers: 44,500
- Number of current adult smokers in the state who would quit: 36,300
- Number of smoking-affected births avoided over next five years: 4,900
- Number of current adult smokers saved from smoking-caused death: 7,900
- Number of kids alive today saved from premature smoking-caused death: 14,200
- 5-Year healthcare savings from fewer smoking-affected pregnancies & births: \$5.6 million
- 5-year healthcare savings from fewer smoking-caused heart attacks & strokes: \$12.7 million
- Long-term healthcare savings in state from adult & youth smoking declines: \$833.4 million

Cigarette tax increases both reduce smoking levels and increase state revenues because the increased tax per pack brings in more new revenue than is lost from the decrease in the number of packs sold. 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.

Sources

Orzechowski & Walker, *Tax Burden on Tobacco*, 2002. Economic Research Service, USDA, Tobacco Briefing Room, www.ers.usda.gov/Briefing/tobacco. U.S. Centers for Disease Control & Prevention (CDC), *State Highlights 2002: Impact and Opportunity*, April 2002, www.cdc.gov/tobacco/StateHighlights.htm; CDC, "Projected Smoking-Related Deaths Among Youth -- United States," *MMWR* 45(44): 971-974, November 8, 1996. Projections reflect estimate that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4%, and assume that tax will be adjusted for inflation. Chaloupka, F, "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://tigger.uic.edu/~fjc> and www.uic.edu/orgs/impactteen. Revenue projections are conservative, but do not account for possible changes in smuggling or cross-border sales. Kids stopped from smoking and dying = from all kids alive today.

Lightwood, J. & S. Glantz, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4): 1089-1096, August 19, 1997, <http://circ.ahajournals.org/cgi/content/full/96/4/1089>; Miller, P., et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1): 25-35, February 2001 [costs from pregnancy smoking average \$1,142 - \$1,358 per affected birth]; Hodgson, T., "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992 [average smoker's lifetime healthcare costs \$12,000 more than nonsmokers, despite dying sooner]. Long-term savings accrue over lifetimes of persons who stop smoking or never smoke because of tax increase.

See, also, the Campaign fact sheets, *Raising State Tobacco Taxes Always Reduces Tobacco Use (& Always Increases State Revenues)*; and *Toll of Tobacco in Virginia*, www.tobaccofreekids.org/research/factsheets.

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