

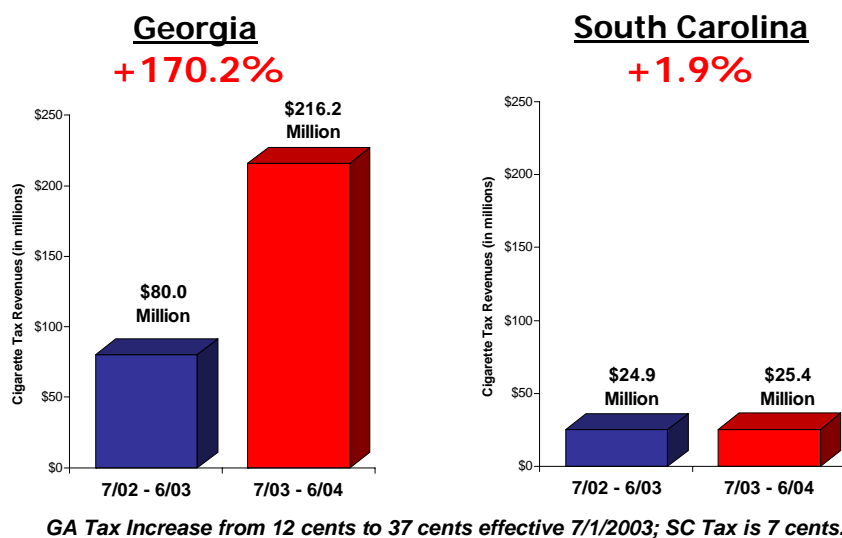


# REVENUE LOST FROM CROSS-BORDER CIGARETTE SALES IS A MYTH

*Cigarette Tax Briefing Document 2010*

**THE ECONOMIC BENEFIT TO THE STATE IS IN RAISING CIGARETTE TAXES, NOT IN KEEPING THEM LOW:** Even if South Carolina raised its tax to \$1.00, sales would have to decline 93% in order for the state to lose revenue. South Carolina is losing out on almost 200 million dollars of additional revenue by failing to act to increase its cigarette tax.

## Cigarette Tax Revenue in GA and SC, FY 2003 vs. FY 2004



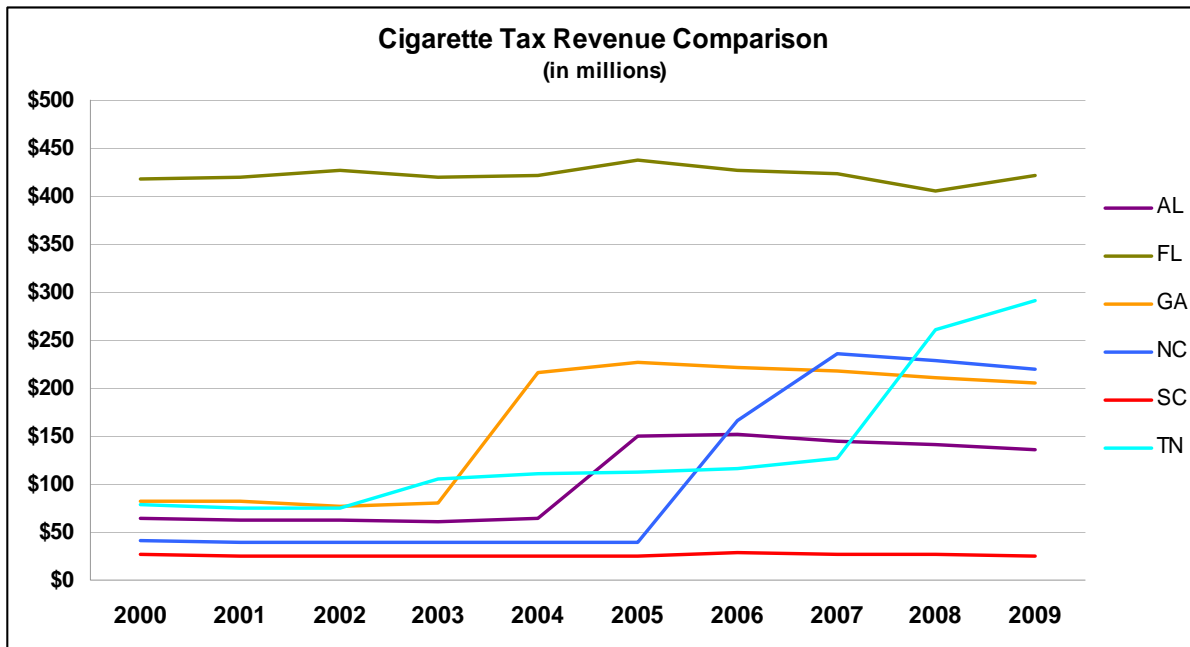
Smokers' purchasing habits after a cigarette tax increase only change temporarily before returning to normal.

- A month or so before a cigarette tax increase, **sales typically spike** as smokers who can afford to start hoarding at the lower price.
- After the tax increase there is a sharp decline and sales return to a lower level than the previous level and remain there. **Cigarette sales level out in about three months.**
- Most smokers purchase their cigarettes one or two packs at a time, usually from **readily available stores**— either for convenience or perhaps because buying cigarettes by the carton may be an admission that they are addicted and contradict future plans to quit.

### Where's the Windfall?

- As the states around us have increased their cigarette tax rates since 2001 (see chart on back), **South Carolina's cigarette tax revenues have remained stagnant**, clearly refuting the claim that retailers have benefited from "cross border sales."
- **Remaining a low-tax state did not benefit South Carolina in the wake of Georgia's tax increase.**
- Conversely, **Georgia's cigarette tax revenue increased by 170%** in the year following their tax increase *even with an estimated \$38 million lost in tax evasion and avoidance* the first year of the higher tax.





### INCREASING SOUTH CAROLINA'S CIGARETTE TAX BY 93 CENTS IS A WIN WIN WIN

- **WIN** for public health because it will reduce smoking, particularly among kids;
- **WIN** for the state's fiscal health because it will raise more than \$199.8 million in new revenue for the state; and
- **WIN** for lawmakers who support it because of overwhelming voter support.

#### WIN For Kids

- 43,400 youth will never start to smoke
- 23,900 adult smokers will be prompted to quit
- More than 20,100 lives will be saved from a premature smoking-caused death

#### WIN For State Revenues

- More than \$199.8 Million in new cigarette tax revenue
- \$986.6 Million in long term health care savings

#### WIN For Lawmakers

A 93-cent increase is supported by 74% of South Carolina voters

#### The bottom line:

South Carolinians support raising the cigarette tax **if the revenue goes to health care programs**. When compared with other options – offsetting other taxes or cutting important programs – raising the cigarette tax is seen as an attractive solution to funding critical health programs for South Carolina families. Support for increasing the cigarette tax is broad-based, and cuts across party, regional, gender, and racial lines.

*Note: Data and revenue projections provided by the Campaign for Tobacco-Free Kids are current as of February 9, 2010.*

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