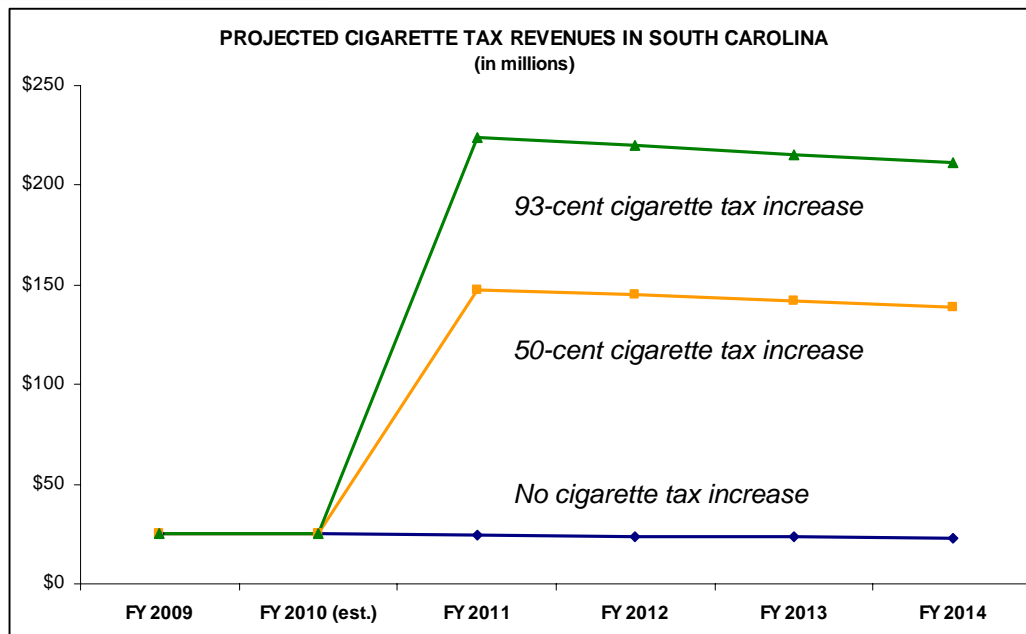




CIGARETTE TAX INCREASES ARE A RELIABLE SOURCE OF SUBSTANTIAL NEW STATE REVENUE

Cigarette Tax Briefing Document 2010

Opponents of cigarette tax increases often claim, incorrectly, that cigarette taxes are unreliable sources of state revenue. In fact, state cigarette taxes are one of the most predictable sources of revenue that states receive. Any significant reductions to state cigarette tax revenues from ongoing smoking declines are dwarfed by the much larger reductions in government and private sector smoking-caused costs those smoking declines produce.



- Chart based on revenue projections calculated by the Campaign for Tobacco Free Kids in January 2010.
- Assumes tax increase would go into effect July 1, 2010 (beginning of FY2011).
- FY2010 revenue projections incorporate the estimated decline in SC's cigarette tax revenues from the federal cigarette tax increase.
- To keep the revenue projections conservative, assumes a generous 2% decline in pack sales every year after the tax increase.

In every single instance where a state has passed a significant cigarette tax increase, the state has enjoyed a **substantial increase to its state cigarette tax revenues**, well above what they would have received absent any rate increase. This occurs, despite significant declines in smoking rates and taxed pack sales, because **the increased tax per pack brings in much more new revenue than is lost by the declines in the number of taxed packs.**

Year to year, state **cigarette tax revenues are more predictable and less volatile** than many other state revenue sources, such as state income tax or corporate tax revenues, which can vary considerably each year because of nationwide recessions or state economic slowdowns. In sharp contrast, large drops in cigarette tax revenue from one year to the next are **quite rare because of the addictive power of cigarettes.**

Smoking declines produce **enormous public and private sector savings** that more than offset any state revenue reductions from fewer packs being sold. Smokers who quit or cut back typically use their savings from reduced cigarette purchases to **buy various other goods and services in the state**, thereby increasing other state tax revenues and helping to **strengthen the state economy.**

Cigarette tax increases work best to reduce smoking among youth, lower-income smokers and pregnant women, and those **smoking declines directly reduce state Medicaid program expenditures.** Similarly, decreased smoking rates among workers directly **reduces public and private sector employers' health insurance costs while also reducing business productivity losses** from smoking-caused job performance declines, work absences and from losing productive workers to smoking-caused disease or disability.



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

- **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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