



LOCAL TOBACCO TAXES BENEFIT PUBLIC HEALTH: RESPONSES TO MISLEADING NATO/SWEDISH MATCH ARGUMENTS

Public health efforts to protect youth from the tobacco industry in the point-of-sale environment are gaining momentum nationwide. The tobacco industry is organizing to oppose these efforts. For example, the National Association of Tobacco Outlets (NATO) and cigar and smokeless tobacco company Swedish Match recently launched a website for retailers with misleading arguments and information on the impact of local ordinances targeting the point of sale. The website is called Tobacco Ordinances – Take Another Look (TOTAL) and addresses policies related to price, flavored products, legal minimum sale age of 21, and others.

Tobacco companies spend the vast majority of their total marketing on price-related strategies in the retail environment.¹ Tobacco companies know that higher prices are likely to deter youth from starting or continuing to smoke. Since the industry needs to recruit new smokers to keep the tobacco business profitable, it is desperate to protect its ability to attract youth at the point of sale, regardless of the impact on the health and welfare of young people.

The industry's arguments do not withstand scrutiny. Below, we provide responses to each of its false claims.

Tobacco Taxes Are One of the Most Effective Tobacco Prevention Strategies. The U.S. Surgeon General, the World Health Organization, National Cancer Institute, and the Institute of Medicine have all concluded that the most effective way to reduce tobacco use, particularly among youth, is to raise the price of tobacco products.

- Based on a comprehensive review of evidence, the Surgeon General has called raising prices on cigarettes “one of the most effective tobacco control interventions” because increasing price is proven to reduce smoking, especially among kids.²
- According to the Surgeon General, “The evidence is sufficient to conclude that increases in the prices of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of tobacco use among youth and adults.”³
- Even the tobacco industry knows that tobacco taxes reduce smoking. An internal document drafted by a Philip Morris executive stated, “It is clear that price has a pronounced effect on the smoking prevalence of teenagers, and that the goals of reducing teenage smoking and balancing the budget would both be served by increasing the Federal excise tax on cigarettes.”⁴ It's no wonder that tobacco companies and its allies, the convenience store industry, would say anything to oppose local tobacco tax increases.

Tobacco Taxes Foster A Healthier, More Productive Workforce. A business can only prosper if it has healthy employees and can draw from a pool of healthy potential employees.

- Tobacco use is the leading cause of death in the United States and reduces worker productivity.
- One of the best ways to improve the health and productivity of city residents is to reduce smoking by increasing tobacco product prices.

Retailers Are Not Harmed by Cigarette Tax Increases. Studies show that the number of convenience stores does not decline following tax increases, nor do declines in cigarette consumption have a negative impact on convenience store employment.⁵

- Money spent on cigarettes in retail stores does not disappear from the area when smokers quit or cutback, but simply shifts to consumer spending on other products or services. For instance, a pack-a-day smoker who quits because of a cigarette tax increase will stop spending more than \$2,000 per year on cigarettes and instead spend it on other goods and services, including other products sold by convenience stores.
- Besides, consumer demands are changing and stores need to adapt. A 2015 report commissioned by the National Association of Convenience Stores emphasized growth in healthy options in convenience stores and stated, “C-stores must understand that solely catering to their declining core audience [those purchasing cigarettes, beer, hot dogs, etc.] is not a growth strategy.”⁶

Raising Tobacco Taxes Always Increases Revenue. More than 600 local jurisdictions nationwide have their own cigarette tax rates or fees, bringing in more than \$470 million in annual revenue. Every state that has raised its cigarette tax rate significantly has received more tax revenue than they would have received without a rate increase, despite the fact that cigarette tax increases reduce state smoking levels and despite any related increases in cigarette smuggling or tax evasion.

- The higher revenue levels enjoyed by those states that significantly increase their cigarette tax rates persist over time (while the cost savings from the related smoking declines grow rapidly).⁷
- Allocating new revenue to tobacco prevention control efforts will enhance the impact of a tobacco tax increase.

¹ U.S. Federal Trade Commission (FTC). *Cigarette Report for 2014*, 2016, https://www.ftc.gov/system/files/documents/reports/federal-trade-commission-cigarette-report-2014-federal-trade-commission-smokeless-tobacco-report/ftc_cigarette_report_2014.pdf; FTC, *Smokeless Tobacco Report for 2014*, 2016, https://www.ftc.gov/system/files/documents/reports/federal-trade-commission-cigarette-report-2014-federal-trade-commission-smokeless-tobacco-report/ftc_smokeless_tobacco_report_2014.pdf [Data for top 5 manufacturers only].

² U.S. Department of Health and Human Services (HHS), *The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General*, Atlanta, GA: HHS, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/index.html>

³ U.S. Department of Health and Human Services, *The Health Consequences of Smoking: 50 Years of Progress. A Report of the Surgeon General*, Atlanta, GA: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014. <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/index.html>

⁴ Philip Morris Research Executive Myron Johnston, "Teenage Smoking and the Federal Excise Tax on Cigarettes," September 17, 1981, Bates No. TA82034-TA82038.

⁵ Huang, J & Chaloupka, FJ, "The economic impact of state cigarette taxes and smoke-free air policies on convenience stores," *Tobacco Control*, doi:10.1136/tobaccocontrol-2011-050185, published online November 1, 2011. Ribisl, KM, Evans, WN, & Feighery, EC, "Falling cigarette consumption in the U.S. and the impact upon tobacco retailer employment," in Bearman, P, Neckerman, K, & Wright, L, eds. *Social and Economic Consequences of Tobacco Control Policy*, New York: Columbia University Press, 2011.

⁶ Cardello, H & French, S, "Health & Wellness Trends and Strategies for the Convenience Store Sector," Hudson Institute, October 2015, <http://www.nacsonline.com/YourBusiness/Refresh/Documents/Grow-BFY-Sales.pdf>.

⁷ See, e.g., Campaign for Tobacco-Free Kids (TFK) Factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0303.pdf>.