



A \$1.00 CIGARETTE TAX INCREASE IN OREGON GENERATES GREATER REVENUE, GREATER PUBLIC HEALTH BENEFITS, AND GREATER COST SAVINGS THAN A 50-CENT INCREASE

Current state cigarette tax: \$1.18 per pack (29th among all states and DC)
 Smoking-caused health care costs in Oregon: \$11.16 per pack

Annual health care expenditures in Oregon directly caused by tobacco use: \$1.11 billion
 Smoking-caused state Medicaid program spending each year: \$287 million

A significant increase in the tax on tobacco products, and subsequently the price, is one of the most effective ways to reduce tobacco use and its associated public health harms and health care costs, while also generating considerable new revenue. As the below tables show, a \$1.00 cigarette tax increase in Oregon would bring the state almost twice the additional revenue of a 50-cent cigarette tax increase, and at least two times the public health benefits and health care cost savings.

	50¢ increase	\$1.00 increase
<i>New Annual Revenue from Increasing the Cigarette Tax Rate:</i>	<i>\$55.36 million</i>	<i>\$95.24 million</i>

New Annual Revenue is the amount of additional new revenue over the first full year after the effective date. The state will collect less new revenue if it fails to apply the rate increase to all cigarettes and other tobacco products held in wholesaler and retailer inventories on the effective date.

Projected Public Health Benefits from the Cigarette Tax Rate Increase		
	50¢ increase	\$1.00 increase
<i>Percent decrease in youth smoking:</i>	<i>6.2%</i>	<i>12.4%</i>
<i>Kids in Oregon kept from becoming addicted adult smokers:</i>	<i>11,400</i>	<i>22,800</i>
<i>Current adult smokers in the state who would quit:</i>	<i>10,700</i>	<i>21,500</i>
<i>Smoking-affected births avoided over next five years:</i>	<i>1,900</i>	<i>3,900</i>
<i>Oregon residents saved from premature smoking-caused death:</i>	<i>6,500</i>	<i>13,100</i>
<i>5-Year health care cost savings from fewer smoking-caused lung cancer cases:</i>	<i>\$1.65 million</i>	<i>\$3.31 million</i>
<i>5-Year health care cost savings from fewer smoking-affected pregnancies & births:</i>	<i>\$4.36 million</i>	<i>\$8.73 million</i>
<i>5-Year health care cost savings from fewer smoking-caused heart attacks & strokes:</i>	<i>\$3.56 million</i>	<i>\$7.13 million</i>
<i>5-Year Medicaid program savings for the state:</i>	<i>\$1.05 million</i>	<i>\$2.11 million</i>
<i>Long-term health care cost savings in the state from adult & youth smoking declines:</i>	<i>\$420.48 million</i>	<i>\$842.28 million</i>

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- Small tax increase amounts do not produce significant public health benefits or cost savings because the cigarette companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting. Splitting a tax rate increase into separate, smaller increases in successive years will similarly diminish or eliminate the public health benefits and related cost savings (as well as reduce the amount of new revenues).

More information available at http://www.tobaccofreekids.org/facts_issues/fact_sheets/policies/tax/us_state_local/ and <http://www.acscan.org/tobaccopolicy>.

For more on sources and calculations, see <http://www.tobaccofreekids.org/research/factsheets/pdf/0281.pdf>.

Explanations & Notes

Health care costs listed at the top of the page are from the U.S. Centers for Disease Control and Prevention.

Projections are based on research findings that each 10% cigarette price increase reduces youth smoking by 6.5%, adult rates by 2%, and total consumption by about 4% (adjusted down to account for tax evasion effects). Revenues still increase because the higher tax rate per pack will bring in more new revenue than is lost from the tax-related drop in total pack sales.

The projections incorporate the effect of both ongoing background smoking declines and the continued impact of the 61.66-cent federal cigarette tax increase (effective April 1, 2009) on prices, smoking levels, and pack sales.

These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and lower net new revenues) from possible new smuggling and tax evasion after the rate increase and from fewer sales to smokers or smugglers from other states. For ways that the state can protect and increase its tobacco tax revenues and prevent and reduce contraband trafficking and other tobacco tax evasion, see the Campaign for Tobacco-Free Kids factsheet, *State Options to Prevent and Reduce Cigarette Smuggling and to Block Other Illegal State Tobacco Tax Evasion*, <http://tobaccofreekids.org/research/factsheets/pdf/0274.pdf>.

Kids stopped from smoking and dying are from all youth ages 17 and under alive today. Long-term cost savings accrue over the lifetimes of persons who stop smoking or never start because of the tax rate increase. All cost savings are in 2013 dollars.

Projections for cigarette tax increases much higher than \$1.00 per pack are limited, especially for states with relatively low current tax rates, because of the lack of research on the effects of larger cigarette tax increase amounts on consumption and prevalence. Projections for cigarette tax increases much lower than \$1.00 per pack are also limited because small tax increases are unlikely to produce significant public health benefits.

Ongoing reductions in state smoking rates will, over time, gradually erode state cigarette tax revenues (in the absence of any new rate increases). But those declines are more predictable and less volatile than many other state revenue sources, such as state income tax or corporate tax revenues (which can drop sharply during recessions). In addition, the smoking declines that reduce tobacco tax revenues will simultaneously produce much larger reductions in government and private sector smoking-caused costs. See the Campaign for Tobacco-Free Kids factsheet, *Tobacco Tax Increases are a Reliable Source of Substantial New State Revenue*, <http://tobaccofreekids.org/research/factsheets/pdf/0303.pdf>.

For other ways states can increase revenues (and promote public health) other than just raising its cigarette tax, see the Campaign factsheet, *The Many Ways States Can Raise Revenue While Also Reducing Tobacco Use and Its Many Harms & Costs*, <http://tobaccofreekids.org/research/factsheets/pdf/0357.pdf>.

For more on sources and calculations, see <http://www.tobaccofreekids.org/research/factsheets/pdf/0281.pdf>.

Needed State Efforts to Protect State Tobacco Tax Revenues

Having each of the following measures in place will maintain and increase state tobacco tax revenues by closing loopholes, blocking contraband trafficking, and preventing tax evasion.

State tax rate on RYO cigarettes equals the state tax rate on regular cigarettes	Yes
State tax rates on other tobacco products match the state cigarette tax rate	Yes
State definitions of "cigarette" block cigarettes from wrongfully qualifying as "cigars"	Yes
State definitions of "tobacco product" reach all tobacco products	No
Minimum taxes on all tobacco products to block tax evasion and promote tax equity	Yes
"High-tech" tax stamps to stop counterfeiting and other smuggling and tax evasion	No
Retailers lose license if convicted of contraband trafficking	No
Street sales and mobile sales of cigarettes and other tobacco products prohibited	No
Non-Tobacco nicotine products without FDA approval banned	No