



SUPPORT THE \$1 PER PACK CIGARETTE TAX INCREASE.

RESPONSES TO MISLEADING AND INACCURATE ARGUMENTS AGAINST A \$1 CIGARETTE TAX IN MISSISSIPPI

The following list presents actual arguments made by cigarette companies, or their lobbyists and allies, in opposition to a \$1 cigarette tax. These statements were made publicly to constituents or the media. As outlined below, however, none of these arguments hold water when confronted with the actual, relevant facts.

1. **MYTH:** *“If the tax is raised to \$1.00, the net effect will be a tax increase, a net revenue decrease..., without the other intended effect of a substantial reduction in consumption.”*

FACT: It is amazing that the cigarette companies’ lobbyists and allies continue to make this argument with a straight face despite the absence of any facts to support it. Moreover, the cigarette companies have actually stated, both publicly and in internal company documents disclosed in tobacco lawsuits, that raising cigarette prices through state tobacco tax increases or other means significantly reduces smoking, especially among kids and lower-income communities. Studies have found that for every 10 percent increase in the price of cigarettes there is a 3 percent to 5 percent reduction in overall cigarette consumption. A \$1 per pack cigarette tax increase would lead to a 20% percent reduction in youth smoking and 23,400 adults to quit smoking

FACT: Every state that has increased its cigarette tax by a significant amount has enjoyed a substantial increase in revenue, despite ongoing and tax specific smoking declines. The John C. Stennis Institute of Government projects that a \$1 cigarette tax increase would generate \$174 million in new revenue for Mississippi. Every state that has ever increased its cigarette tax rate has received more revenue than it would have obtained absent the rate increase. [See TFK Factsheet, *Raising State Tobacco Taxes Always Increases State Revenues & Always Reduces Tobacco Use*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.]

2. **MYTH:** *“A \$1 Cigarette tax will promote cigarette smuggling, black markets, and smoker tax avoidance, which will eliminate state revenue gains.”*

FACT: Every single state that has significantly increased its state cigarette tax rate has enjoyed substantial increases in state revenue – despite the

consumption declines prompted by the tax increase and any related tax avoidance, black market sales or smuggling. Smuggling and other tax evasion only reduce the total amount of net new additional revenues the states receive from cigarette tax increases; they do not come close to eliminating revenue gains or making tax increases unproductive. [See TFK Factsheet, *Raising State Tobacco Taxes Always Increases State Revenues & Always Reduces Tobacco Use*, <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>.]

FACT: A 2003 economic research study found that state smuggling and tax evasion revenue losses totaled less than eight percent of total state cigarette tax revenues (with those losses concentrated in the highest-tax states). [See *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf.]

3. **MYTH:** *“With an increase as proposed, 33 border counties, represented by 70 House members will see an immediate and harmful effect to their local economies. At a time when sales tax collections are on the decline, an increase in the tax to \$1.00 per pack will have the net effect of lost sales to bordering states of not only cigarettes but groceries and other goods.”*

FACT: Money spent currently on cigarette sales will not disappear when the smoking declines from a cigarette tax increase reduces cigarette sales, it will simply shift to consumer expenditures on other products or to consumer savings or investments. Smokers who quit or cut back will spend or use the money they formerly spent on cigarettes in other ways – and those alternative uses may produce more jobs or more productive economic activity than spending on cigarettes.

FACT: State-specific economic impact studies have found that substantial cigarette tax increases in those states would actually increase total state employment – and that reduced cigarette sales have, historically, been linked with increased state retail employment. [See *The Fiscal and Economic Impacts of Increasing the Cigarette Tax in Virginia*, PolEcon Research, April 15, 2004, <http://tobaccofreekids.org/pressoffice/VACigTaxReport.pdf>.]

FACT: A cigarette tax increase will reduce government and business smoking-caused expenditures and costs, which further strengthens and improves the state’s economy – especially because those savings are inevitably shifted to much more productive uses.

By reducing smoking, cigarette tax increases improve worker productivity. CDC currently estimates that productivity losses caused by smoking amount to more than \$97 billion per year – and that total does not even include business losses from cigarette breaks, increased sick days, or from workers being less productive when on the job

because of smoking caused health problems. Reducing smoking rates among the workforce would directly reduce these productivity losses, thereby strengthening the state's economy. [See CDC productivity loss estimates available from TFK Factsheet, *State Tobacco-Related Costs & Revenue* <http://tobaccofreekids.org/research/factsheets/pdf/0178.pdf>.]

4. **MYTH:** *“There is a better way and that is simply to consider an increase which will not exceed the regional average and which will not be substantially higher than our bordering states.”*

FACT: It is only with a \$1 cigarette tax that we reach the maximum health and financial benefits of a cigarette tax. Tax increases of less than 10% of the average state pack price 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 if not destroy the public health benefits and related cost savings.

FACT: Forty-four states and the District of Columbia have increased cigarette taxes since January 1, 2002, some more than once, bringing the current average state cigarette tax to \$1.19 a pack. Mississippi's current cigarette tax is only 18 cents per pack, ranking it 49th lowest in the nation.

5. **MYTH:** *“Further, I am not sure what statistical evidence exists to support the belief that raising the cigarette tax results in lower teen smoking rates; however, I would be more than happy to review any statistical evidence that exists and would love to learn that I am wrong on this.”*

FACT: The cigarette companies have opposed tobacco tax increases by arguing that raising cigarette prices would not reduce adult or youth smoking. But the companies' internal documents, disclosed in the tobacco lawsuits, show that they know very well that raising cigarette prices is one of the most effective ways to prevent and reduce smoking, especially among kids.

Philip Morris: *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.*

The Mississippi State University Social Science Research Center found that a \$1 cigarette tax increase would result in 20% decline in smoking by adolescents. [See [Expected Health and Economic Impacts of a \\$1.00 Increase in the Mississippi Cigarette Tax \[PDF\]](#)]