



Support the Tobacco Tax Equity Act to Reduce Tobacco Use, Save Lives, and Raise Revenue

The Tobacco Tax Equity Act would substantially improve public health and raise revenue by increasing and equalizing tobacco taxes. The Tobacco Tax Equity Act, introduced by Senators Dick Durbin (D-IL) and Ron Wyden (D-OR) and Representatives Raja Krishnamoorthi (D-IL) and Rosa DeLauro (D-CT), would increase federal tobacco taxes for the first time since 2009. The bills (S. 1314/H.R. 2786) would double the current federal excise tax on cigarettes to \$2.01 per pack, increase taxes on other tobacco products to an equivalent level, including establishing a first-ever federal tax on e-cigarettes, and index tobacco tax rates to inflation.

Tobacco tax increases are one of the most effective ways to reduce tobacco use, especially among youth. Tobacco use is the leading preventable cause of death in the U.S., and decades of economic studies and Surgeon General reports conclude that a significant increase in tobacco taxes reduces tobacco use.¹ Tobacco tax increases help current tobacco users to quit and are particularly effective at reducing tobacco use among youth, who are more price sensitive. In general, every 10 percent increase in price reduces overall consumption of cigarettes by 3 to 5 percent and reduces the number of youth who smoke by 6 to 7 percent.² Doubling the federal cigarette tax would reduce the number of adult smokers by 1.1 million in the first year and would, over time, avoid 250,000 smoking-related premature deaths. It would also prevent 507,000 kids alive today from becoming smokers, which would further reduce smoking-related disease and premature death.³ Additional health benefits would come from increasing taxes on other tobacco products.

Increasing tobacco taxes would help reduce health disparities. By motivating quitting, a significant tobacco tax increase would provide the greatest health benefits to people who use tobacco products at higher-than-average rates and disproportionately suffer from tobacco-caused diseases and premature death, including people with lower levels of income and education and certain racial and ethnic groups.⁴ Nearly half of the lives saved due to smoking reductions from the most recent federal tobacco tax increase in 2009 will be among people living below the poverty line.⁵ Low-income families would further benefit if revenue from a tobacco tax increase were used to pay for programs that serve low-income families.

A federal tax on e-cigarettes is a long overdue response to high rates of youth e-cigarette use. The federal tobacco tax code has not kept up with changes in the marketplace. E-cigarettes are by far the most popular tobacco product among youth, and FDA and the Surgeon General have called youth use of e-cigarettes an “epidemic.” In 2020, 3.6 million youth used e-cigarettes, including 19.6 percent of high school students.⁶ Yet e-cigarettes are not taxed at all at the federal level. CDC has identified the lower cost of some e-cigarettes as one of the factors that has contributed to high levels of youth use of e-cigarettes.⁷

Equalizing tobacco tax rates would eliminate loopholes that incentivize tax avoidance. The Government Accountability Office (GAO) found that because of disparities in tax rates after the 2009 tobacco tax increase, some manufacturers of roll-your-own tobacco relabeled their product as “pipe” tobacco and some manufacturers of small cigars slightly increased the weight of their product to qualify as “large” cigars, which resulted in \$2.6 billion to \$3.7 billion in lost federal revenue from April 2009 through February 2014.⁸ Differential tax rates can also make lower-taxed tobacco products more affordable to youth, which can lead to higher use among youth.

Increasing tobacco taxes would increase revenue while reducing tobacco use. Doubling the cigarette tax (a \$1.01 per pack increase) would raise about \$44 billion over 10 years.⁹ An Obama Administration proposal to raise the cigarette tax by 94 cents per pack and raise taxes on other tobacco products to a roughly equivalent level was scored as generating \$78 billion in revenue over 10 years.¹⁰ Revenue would decline over time as the tax achieves its public health goal of reducing tobacco use, but the decline would be gradual and predictable. A tobacco tax increase would also generate budgetary savings from lower health care costs. Tobacco use is responsible for \$227 billion in health care costs each year, with more than 60 percent paid by government programs like Medicare and Medicaid.¹¹

¹ 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: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (CDC), National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014, https://www.ncbi.nlm.nih.gov/books/NBK179276/pdf/Bookshelf_NBK179276.pdf.

² See, e.g., Chaloupka, FJ, "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine and Tobacco Research* 1(Suppl 1):S105-9, 1999; other studies at <http://tobacconomics.org>; Tauras, J, "Public Policy and Smoking Cessation Among Young Adults in the United States," *Health Policy* 6:321-32, 2004; Tauras, J, et al., "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," National Bureau of Economic Research Working Paper 8331, June 2001, <http://www.nber.org/papers/w8331>. Chaloupka, FJ & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998; Emery, S, et al., "Does Cigarette Price Influence Adolescent Experimentation?," *Journal of Health Economics* 20:261-270, 2001; Evans, W & Huang, L, *Cigarette Taxes and Teen Smoking: New Evidence from Panels of Repeated Cross-Sections*, Working Paper, April 15, 1998; Harris, J & Chan, S, "The Continuum-of-Addiction: Cigarette Smoking in Relation to Price Among Americans Aged 15-29," *Health Economics Letters* 2(2):3-12, February 1998, <http://www.mit.edu/people/jeffrey/HarrisChanHEL98.pdf>. HHS, *Reducing Tobacco Use: A Report of the Surgeon General*, Atlanta, Georgia: HHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2000, https://www.cdc.gov/tobacco/data_statistics/sgr/2000/complete_report/index.htm. See also, Campaign for Tobacco-Free Kids (CTFK) factsheet, *Raising Cigarette Taxes Reduces Smoking, Especially Among Kids (and the Cigarette Companies Know It)*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0146.pdf>.

³ Tax model developed by the Campaign for Tobacco-Free Kids, American Cancer Society Cancer Action Network, and Tobacconomics.

⁴ CDC, "Tobacco Product Use Among Adults – United States, 2019," *Morbidity and Mortality Weekly Report (MMWR)* 69(46):1736-1742, November 20, 2020, <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6946a4-H.pdf>. CDC, *Best Practices User Guide: Health Equity in Tobacco Prevention and Control*, Atlanta: U.S. Department of Health and Human Services (HHS), CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2015, <http://www.cdc.gov/tobacco/stateandcommunity/best-practices-health-equity/pdfs/bp-health-equity.pdf>. Community Preventive Services Task Force, *Reducing Tobacco Use and Secondhand Smoke Exposure: Interventions to Increase the Unit Price for Tobacco Products*, Task Force Finding and Rationale Statement, 2014, <http://www.thecommunityguide.org/tobacco/RRincreasingunitprice.html>. Sassi, F, et al., "The Lancet Taskforce on NCDs and economics 4: Equity impacts of price policies to promote healthy behaviours," *The Lancet*, published online April 4, 2018, [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(18\)30531-2/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30531-2/fulltext). CDC, "Responses to Cigarette Prices By Race/Ethnicity, Income, and Age Groups – United States 1976-1993," *MMWR* 47(29):605-609, July 31, 1998, <http://www.cdc.gov/mmwr/preview/mmwrhtml/00054047.htm>. Chaloupka, FJ & Pacula, R, *An Examination of Gender and Race Differences in Youth Smoking Responsiveness to Price and Tobacco Control Policies*, National Bureau of Economic Research, Working Paper 6541, April 1998. Oredein, T & Foulds, J, "Causes of the Decline in Cigarette Smoking Among African American Youths From the 1970s to the 1990s," *American Journal of Public Health* e1-e11, doi:10.2105/AJPH.2011.300289, August 18, 2011.

⁵ Chaloupka, FJ, et al., In progress. Cited in *The Science Behind Taxation*, August 2012, <http://tobacconomics.org/research/the-science-behind-tobacco-taxation/>.

⁶ Wang, TW, et al., "E-cigarette Use Among Middle and High School Students – United States, 2020," *MMWR* 69(37):1310-1312, September 18, 2020, <https://www.cdc.gov/mmwr/volumes/69/wr/pdfs/mm6937e1-H.pdf>.

⁷ CDC, *E-Cigarettes and Youth Toolkit for Partners: How You Can Help End the Epidemic*, https://www.cdc.gov/tobacco/basic_information/e-cigarettes/pdfs/e-cigarettes-youth-partners-toolkit-508.pdf; and HHS, *E-Cigarette Use Among Youth and Young Adults. 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, 2016. Office of the Surgeon General, "Surgeon General's Advisory on E-Cigarette Use Among Youth," December 18, 2018, <https://e-cigarettes.surgeongeneral.gov/documents/surgeon-generals-advisory-on-e-cigarette-use-among-youth-2018.pdf>.

⁸ Government Accountability Office (GAO), *Tobacco Taxes: Disparities in Rates for Similar Smoking Products Continue to Drive Market Shifts to Lower-Taxed Options*, Testimony Before the Committee on Finance, U.S. Senate, Statement of David Gootnick, Director, International Affairs and Trade, GAO-14-811T, July 29, 2014, <https://www.gao.gov/assets/gao-14-811t.pdf>.

⁹ Tax model developed by the Campaign for Tobacco-Free Kids, American Cancer Society Cancer Action Network, and Tobacconomics.

¹⁰ CBO, *An Analysis of the President's 2017 Budget*, March 2016, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51383-apb.pdf>.

¹¹ Xu, X, et al., "U.S. Healthcare Spending Attributable to Cigarette Smoking in 2014," *Preventive Medicine*, Online ahead of print, <https://doi.org/10.1016/j.ypmed.2021.106529>, March 23, 2021.