

# Key Facts Supporting an Increase in the Federal Tobacco Tax

*Compiled by Committee on Ways and Means*

*“We have in our power to make a huge difference. We know how to reduce smoking, and in particular to dissuade young people from starting to smoke. It starts with a higher price for the product.” – Governor Mitch Daniels (R-IN)*

**Higher cigarette taxes are one of the most effective ways to reduce tobacco use, especially among children:** Kids are more price sensitive than adults. The higher the cost of cigarettes, the less likely they will be to take up smoking. Tobacco companies target marketing to appeal to kids. A 45-cent increase means that 1,381,000 fewer children will take up smoking (a 6.8% decline).<sup>1</sup> Adults would also be less likely to smoke, which means fewer smoking related illnesses and lower health costs.

**Voters Favor an Increase in the Federal Cigarette Tax by a 2:1 Ratio:** A June 2007 survey indicates 67 percent of likely **voters favor a 75-cent increase** in the cigarette tax to fund health care. Voter support for cigarette tax hike transcends party lines, gender, age, education, race, income level, and region. Fifty-nine percent of those surveyed prefer a political candidate who supported an increase in the federal tobacco tax over a candidate who did not.<sup>2</sup> There is strong support for increasing tobacco taxes, even in states that have recently sustained a hike.<sup>3</sup>

**A Higher Tobacco Tax Would Save Billions in Health Costs:** Total annual public and private health care expenditures caused by smoking are \$96.7 billion, while annual smoking-related productivity losses total a similar \$97.6 billion.<sup>4</sup> A tax increase of 45-cents would lead to long-term health savings of \$32.4 billion; 669,000 fewer smoking-related deaths; and 171,800 fewer smoking-harmed births in the next five years.<sup>5</sup>

**A Federal Tobacco Tax Increase is Long Overdue:** The Federal tax rate has not kept up with inflation or increases in wholesale or retail prices of cigarettes. In 1960, the federal tax was 1/3 of the average cigarette retail price. Today at 39-cents, federal tax accounts for less than 1/10 of the retail price.<sup>6</sup>

Congress last raised the federal tobacco tax in 1997 to fund SCHIP.

**Governors Support Increases in the Tobacco Tax:** Since 2002, 36 Republican governors and 28 Democratic governors have signed a cigarette tax increase into law in their respective states; 19 were passed by Republican controlled legislatures.<sup>7</sup>

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<sup>1</sup> “Federal Cigarette Excise Tax Increases: Estimated New Revenues, Cost Savings, and Other Benefits and Effects.” Tobacco Free Kids. 01 July 2007.

<sup>2</sup> “Survey Key Findings Memo.” Tobacco Free Kids. 05 June 2007.

<sup>3</sup> “Voters Across the Country Support Significant Increases in Cigarette Tax.” Tobacco Free Kids. 25 May 2007.

<sup>4</sup> “Toll of Tobacco in the United States of America.” 20 April 2007.

<sup>5</sup> “Federal Cigarette Excise Tax Increases: Estimated New Revenues, Cost Savings, and Other Benefits and Effects.” Tobacco Free Kids. 01 July 2007.

<sup>6</sup> “Federal Cigarette Tax is Far Lower than Historical Levels.” Tobacco Free Kids. 04 June 2007.

<sup>7</sup> “State Cigarette Tax Increases Since January 2, 2002.” Tobacco Free Kids. 11 July 2007.