

TOBACCO EXCISE TAX REPORT 2010

*Kansas Department of Health and Environment
Tobacco Use Prevention Program*

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“Increasing the price of tobacco products will decrease the prevalence

Tobacco Use Harms Kansans

The toll of tobacco use in Kansas remains very high. Each year, nearly 3,900 adult Kansans die from their own smoking¹ and an additional 380 nonsmokers die from exposure to secondhand smoke.² These deaths are replaced by nearly 2,900 Kansas kids who become newly addicted daily smokers every year.²

Smokers are two to four times more likely to develop coronary heart disease³, the leading cause of death in Kansas. Ninety percent of lung cancer deaths in men and almost 80 percent of lung cancer deaths in women are attributable to smoking.⁴ Smoking is also associated with a number of adverse reproductive and birth outcomes, including infertility, preterm delivery, stillbirth, low birth weight and sudden infant death syndrome.⁴ In addition, smokeless tobacco use increases the risk of oral cancer and gum disease. Nationally, Kansas ranks 15th for smokeless tobacco use among youth.⁵

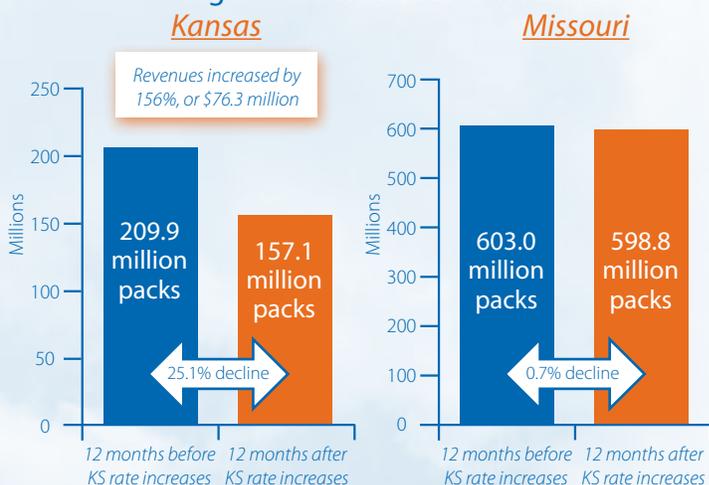
Increasing the Price of Tobacco Reduces the Use of Tobacco

Interventions to increase the price of tobacco products, including smokeless products, are recommended by the American Journal of Preventive Medicine’s Guide to Community Preventive Services: Tobacco Use Prevention and Control, the National Academy of Sciences’ Institute of Medicine, and the President’s Cancer Panel.⁶ The evidence is strong linking increased costs of tobacco products to (1) reduced tobacco use, (2) reduced initiation of tobacco use, and (3) increased tobacco cessation. The Guide also reports strong evidence that increasing the price of tobacco products is particularly effective in reducing tobacco use in adolescents and young adults.

Significant increases in tobacco taxes rapidly and sharply reduce tobacco use and tobacco related disease, deaths, and costs.⁷ Results from multiple studies demonstrate that every 10 percent increase in the real price of cigarettes reduces overall cigarette consumption by approximately 3 to 5 percent, reduces the number of young-adult smokers by 3.5 percent, and reduces the number of minors who smoke by 6 or 7 percent.⁸ The National Cancer Policy Board believes that a \$2 price increment [per pack of cigarettes] remains the single most effective way of reducing overall tobacco consumption.⁹ Increases of this magnitude are more difficult to offset with promotional pricing, thus maintaining the price elasticity effects on prevalence rates for a longer time period, especially in youth. In 2002, after the statewide tobacco tax increase on cigarettes, Kansas experienced a decrease in high school smokers from 26 percent to 21 percent. This decrease in youth prevalence continued to hold and further decreased to 16.9 percent in 2009.¹⁰

Cigarette tax increases reduce smoking rates more among individuals with lower incomes. Smokers with family incomes at or below the national median are four times as likely to quit because of cigarette price increases as those with higher incomes.¹¹ Kansans with incomes less than \$15,000 not only have the highest smoking rates, but also suffer disproportionately

No Increase in Missouri Pack Sales After the Last Cigarette Tax Increases in Kansas



Source: Orzechowski & Walker, *The Tax Burden on Tobacco, 2009* and monthly reports (industry-funded state tax report)

higher rates of heart attacks and stroke, conditions associated with smoking.¹² These Kansans stand to gain the most health benefits from a cigarette tax increase.

Smokeless tobacco use and use of other tobacco products will be similarly reduced with a parallel increase in the tax on these products. A 10 percent increase in smokeless tobacco prices reduces adult consumption by 3.7 percent and male youth consumption by 5.9 percent.¹³ The tax on these other tobacco products in Kansas has not increased since it was enacted in 1972 and is currently at 10 percent of the wholesale price.

As expected, Kansas experienced an increase in quit attempts following the April 1, 2009, federal cigarette tax increase (from \$.39 per pack to \$1.01 per pack). During the first half of April 2009 calls to the Kansas Tobacco Quitline increased 198 percent from the first half of March 2009.

Kansas Cigarette Tax Collected and Estimated Number of Cigarette Packs Sold 2002 - 2009



Source: Kansas Department of Revenue 2009 Annual Report

Tobacco Use Economics in Kansas

Countless Kansas residents suffer from smoking-related disease and disability with annual smoking associated health costs in the state totaling more than \$927 million, of which \$196 million is paid by the Kansas Medicaid program.¹ The health care costs associated with tobacco use are driven primarily by the increased incidence of chronic diseases among smokers compared to non-smokers. The Campaign for Tobacco Free Kids (a non-profit organization) estimates that smoking costs Kansas \$11.66 for every pack sold. On average, the state share from excise and sales tax for a pack of cigarettes is \$0.99, resulting in a net loss to the state of \$10.67 per pack.

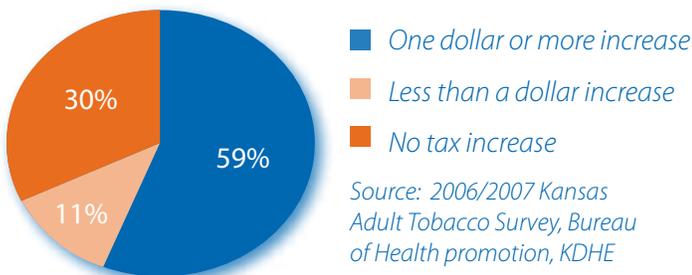
For cigarettes, the excise tax was \$0.24 per pack of 20 cigarettes from 1998 to 2002. In 2002 the Kansas legislature increased the cigarette excise tax by \$0.55 (\$0.46 increase in mid-2002; additional \$0.09 increase in

direct revenue benefit from this tax. The Campaign for Tobacco Free Kids estimates that a \$1.00 per pack state level cigarette tax increase would result in both fewer tobacco users and more state revenue with 12,000 adult smokers quitting for good, 21,600 kids who are alive today remaining smoke-free into adulthood, and \$74.7 million in new revenue the first year.¹⁷ Additionally, an increase of that magnitude would result in 3,650 fewer smoking-affected births during the next five years.¹⁷

The tax on other tobacco products in Kansas, including smokeless tobacco, remains at the 1972 rate of 10 percent of the wholesale price. Increasing the price of other tobacco products to parallel that of cigarettes is an important strategy to prevent cigarette smokers, especially youth, from switching to less expensive non-cigarette tobacco products as an alternative. To parallel a cigarette tax increase of \$1.00, the excise tax on other tobacco products would need to be increased to 70% of wholesale price, generating \$21.6 million and resulting in approximately one-third fewer youth using other tobacco products.¹⁸

As with a tax increase on cigarettes, the increased tax on smokeless tobacco products will generate more revenue than is lost through the decrease in consumption and sales. The health benefits that result from reduced consumption of tobacco products and subsequent disease will save lives and money, significantly reducing rapidly escalating Medicaid program costs and relieving the associated tax burden on all Kansans.

Level of support for increasing tax on cigarettes to support tobacco use prevention program



early 2003) to a total of \$0.79 per pack. In 2003, according to the Kansas Department of Revenue, this excise tax increase resulted in a dramatic \$81 million revenue gain although the number of cigarettes sold in the state dropped by 18 percent. This experience is in sharp contrast to the concurrent experience in neighboring Missouri where pack sales increased but revenue gains were modest. Significant tax revenue gains in Kansas persisted over the last four years since the increased cost per pack continues to offset the decrease in packs sold. Similar trends are observed in other states. States that have raised cigarette taxes multiple times over the last two decades report increased revenues each time in the presence of decreasing overall pack sales.¹⁴

In the U.S., the average state cigarette tax is \$1.38 per pack.¹⁵ As of April 2010, Kansas ranked 36th in cigarette taxes.¹⁵ Rhode Island ranked 1st with a state cigarette tax of \$3.46 per pack.¹⁵ A \$1.00 state tax increase would increase Kansas' national rank to 15th at \$1.79 per pack. As of April 1, 2009, 29 states had legislation pending to increase their tobacco taxes.¹⁶ As of February 2010, eight of these states passed tobacco excise tax increases and 10 have active legislation still pending.

Although the recent increase in the federal tobacco excise tax motivated more Kansans to try to quit tobacco use, the state does not receive



- State collects cigarette excise tax = \$0.79 per pack (total approx. \$107 million in 2009)
- Smoking-attributable Medicaid costs = \$1.28 per pack¹ (total approx. \$196 million annually)
- Smoking-attributable medical costs = \$6.04 per pack¹ (total approx. \$937 million annually)
- Smoking-attributable productivity costs = \$5.62 per pack¹ (total approx. \$863 million annually)

Public Support

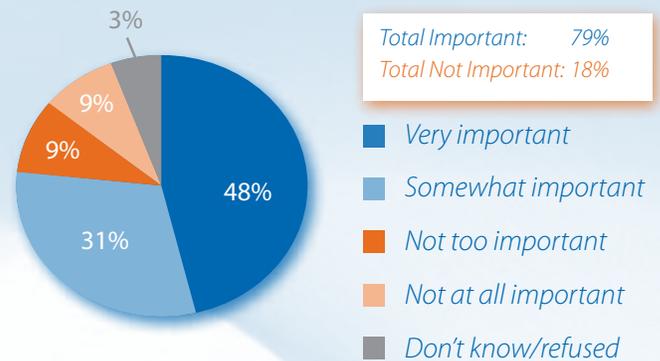
Public support for a cigarette tax increase is strong in Kansas and has steadily increased during the last few years. A 2007 Sunflower Foundation poll found that 64 percent of all voters support increasing the current 79-cent tax on a pack of cigarettes. The response was stronger in the 2006/2007 Kansas Adult Tobacco Survey where seven out of 10 adults in Kansas support raising the tax on cigarettes to fund tobacco use prevention programs and 58.8 percent said they would support an increase of \$1.00 or more for this purpose. And, in the most recent poll (2010) conducted for the Campaign for Tobacco Free Kids by Public Opinion Strategies (a national polling firm) among a bipartisan sample of Kansas voters, 69 percent support raising the tobacco tax by \$1 per pack to cut the state's budget deficit and 80 percent support using part of the revenue brought in from a tobacco tax to fund programs to keep kids from smoking. Currently, 12 states dedicate some portion of their tobacco taxes toward tobacco control programming.¹⁹

Kansas Tobacco Use Prevention Program

The Kansas Department of Health and Environment (KDHE) Tobacco Use Prevention Program (TUPP) is committed to improving the health and lives of all Kansans by reducing use of and exposure to tobacco. TUPP works with state and local partners to promote interventions consistent with Centers for Disease Control and Prevention's (CDC) *Best Practices for Comprehensive Tobacco Control Programs* (2007). Currently, 47 of Kansas' 105 counties receive limited funding through Chronic Disease Risk Reduction Grants to support actions aimed at 1) eliminating exposure to tobacco smoke; 2) promoting tobacco cessation; 3) preventing initiation of tobacco use among youth; and 4) identifying and eliminating tobacco use disparities.

Most voters think it is important to use tobacco tax revenue to prevent children from smoking/help smokers quit.

"Thinking some more about the tobacco tax...If Kansas were to raise its tobacco tax, how important is it to dedicate part of the revenue to funding programs to prevent children from smoking and help smokers quit. Is it..."



Source: Public Opinion Strategies March 2010 Kansas Survey

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As the state's environmental and public health agency, KDHE promotes responsible choices to protect the health and environment of all Kansans

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