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Research Informing Policies & Practices
for Healthy Youth

Taxes as a tool for promoting public health: Lessons from tobacco taxation

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Overview

1. Review of the evidence on the impact of tobacco taxes on tobacco use and its consequences
2. Brief review of impact of earmarked tobacco taxes for comprehensive tobacco control programs
3. Support from RWJF, NCI, USDA, CDC and others

Key Collaborators

Jamie Chriqui, Lisa Powell, Sandy Slater,
John Tauras, Melanie Wakefield, Lloyd
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Jidong Huang, Sherry Emery

and many others.....

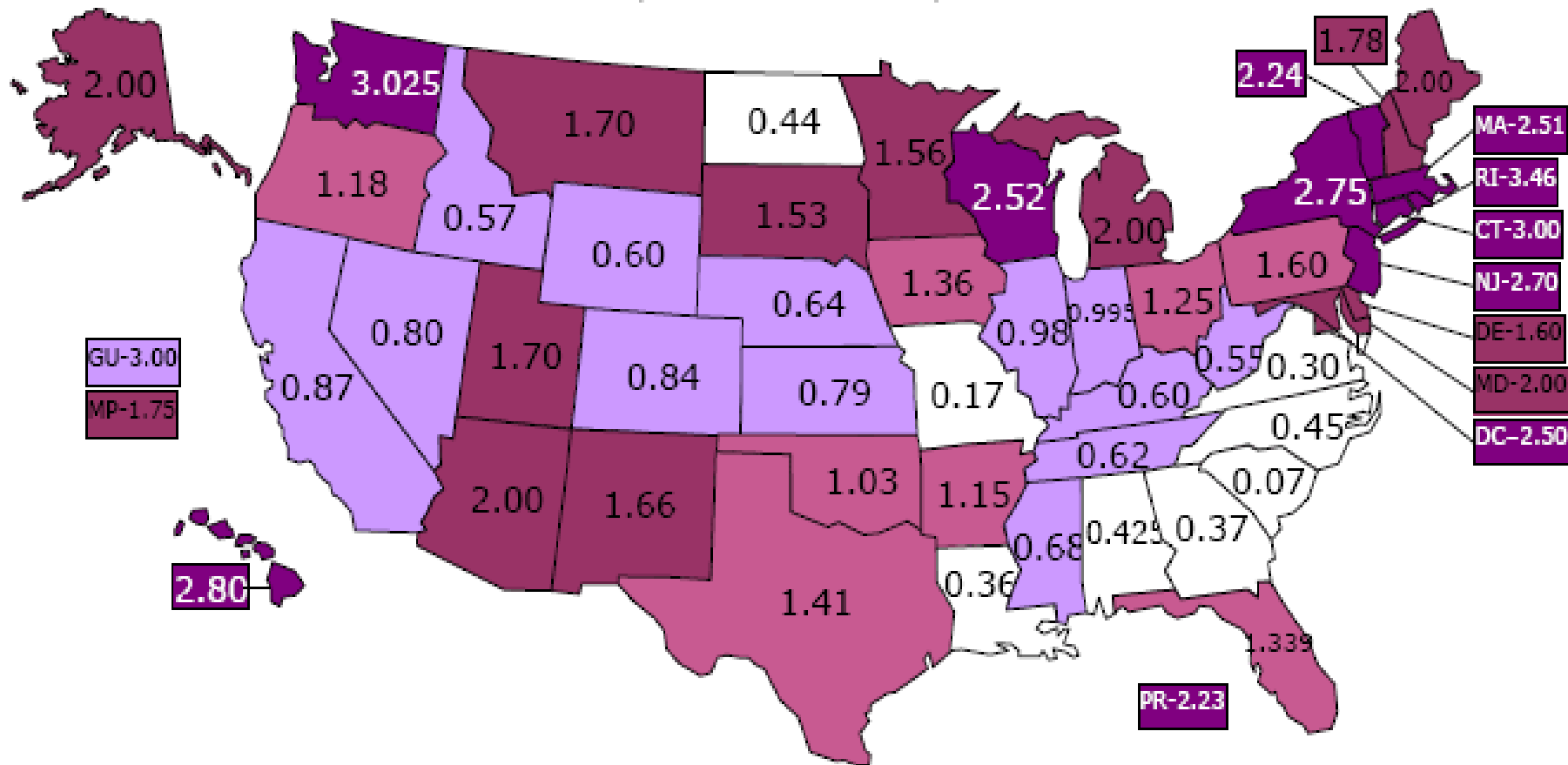
Tobacco Taxes and Prices

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State Cigarette Excise Tax Rates

July 2010

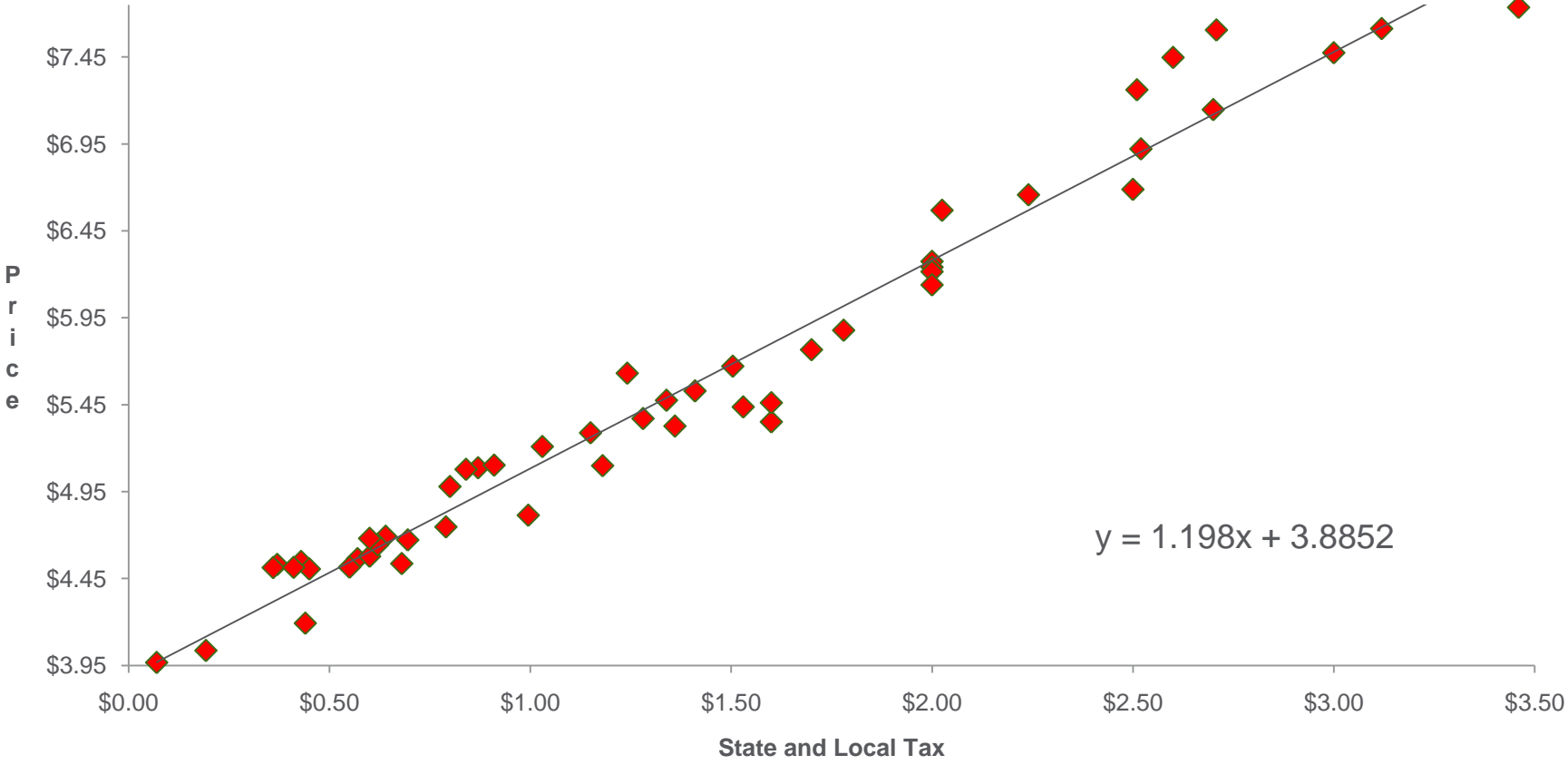
(amounts in dollars)



Source: NCSL; * Hawaii, New Mexico, South Carolina and Utah's excise tax increase goes into effect July 1, 2010.

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State and Local Taxes & Cigarette Prices per Pack, Nov. 1, 2009

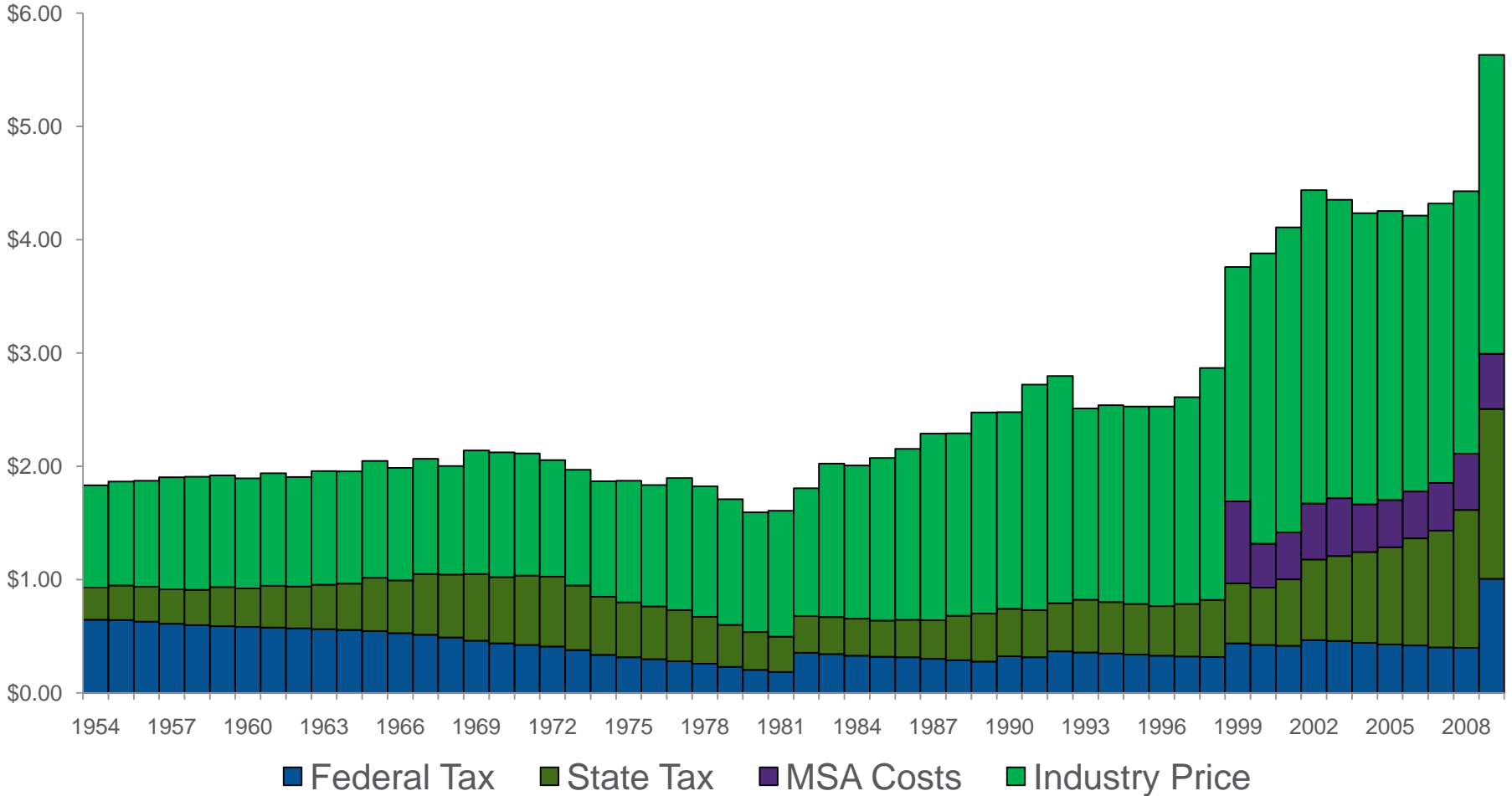


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Source: Tax Burden on Tobacco, 2010, and author's calculations

Cigarette Taxes & Prices

Inflation adjusted, 1954-2009

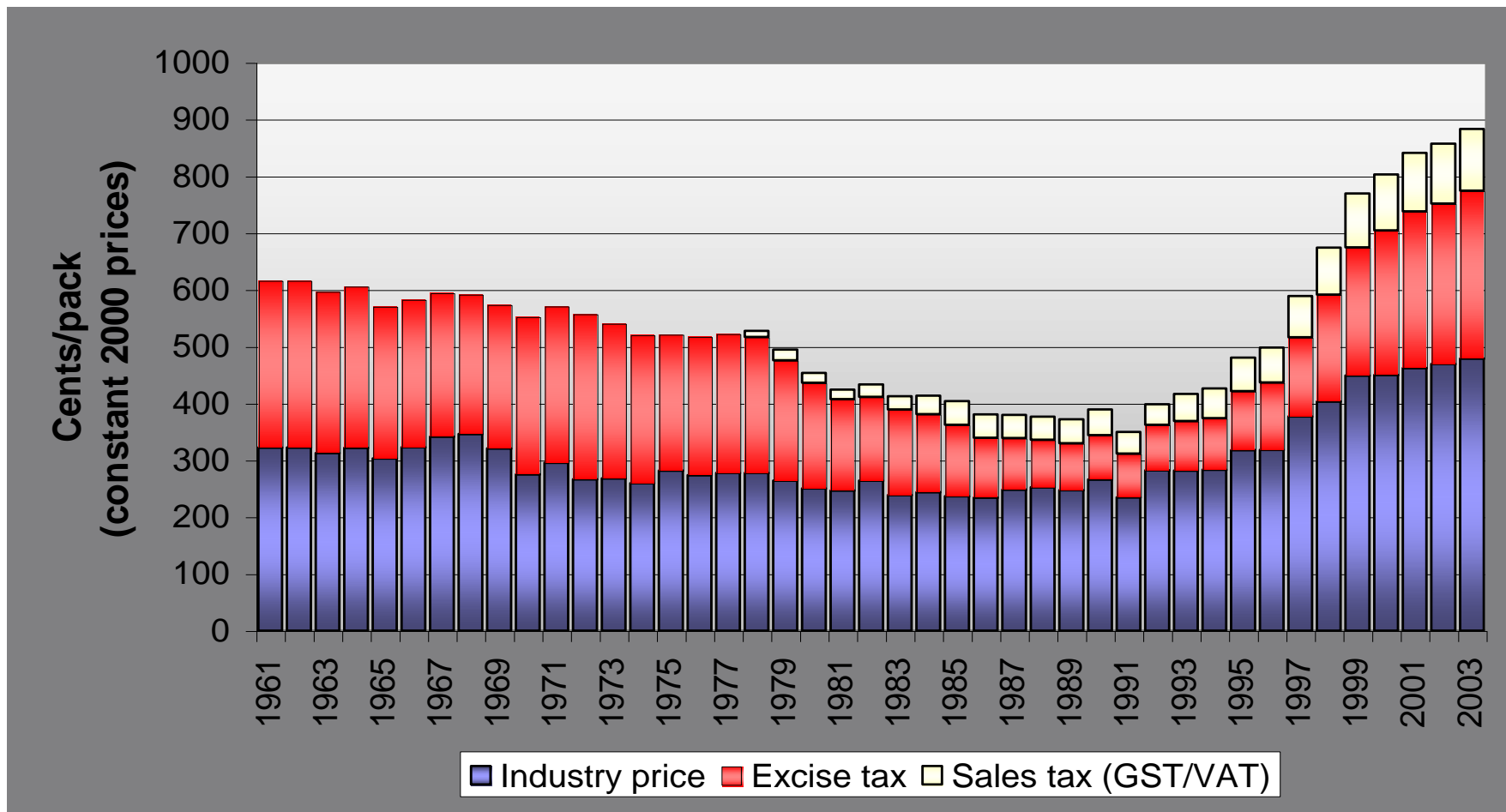


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Source: Tax Burden on Tobacco, 2010, and author's calculations

Taxes and Tobacco Product Prices

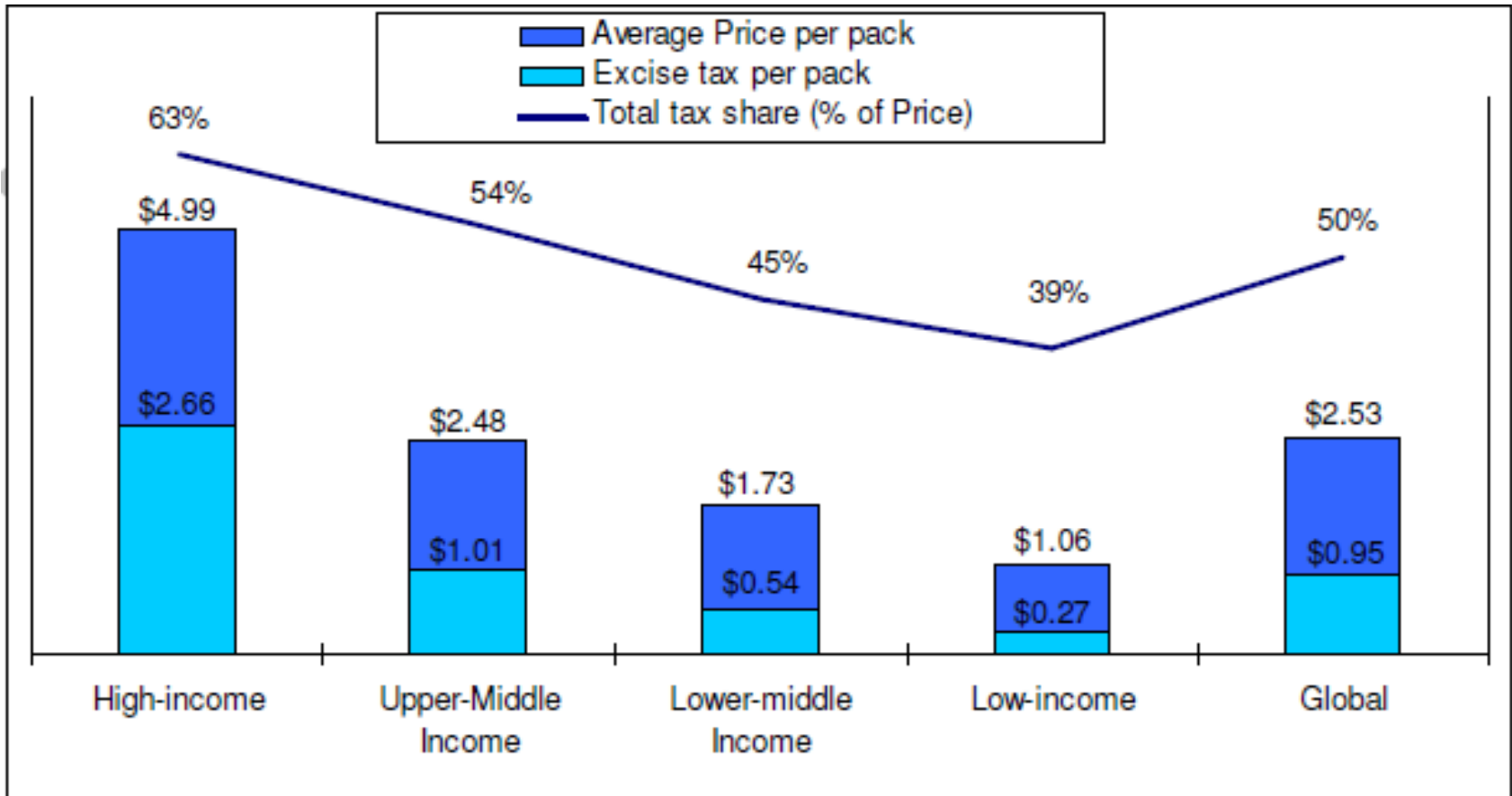
Inflation Adjusted, South Africa, 1961-2003



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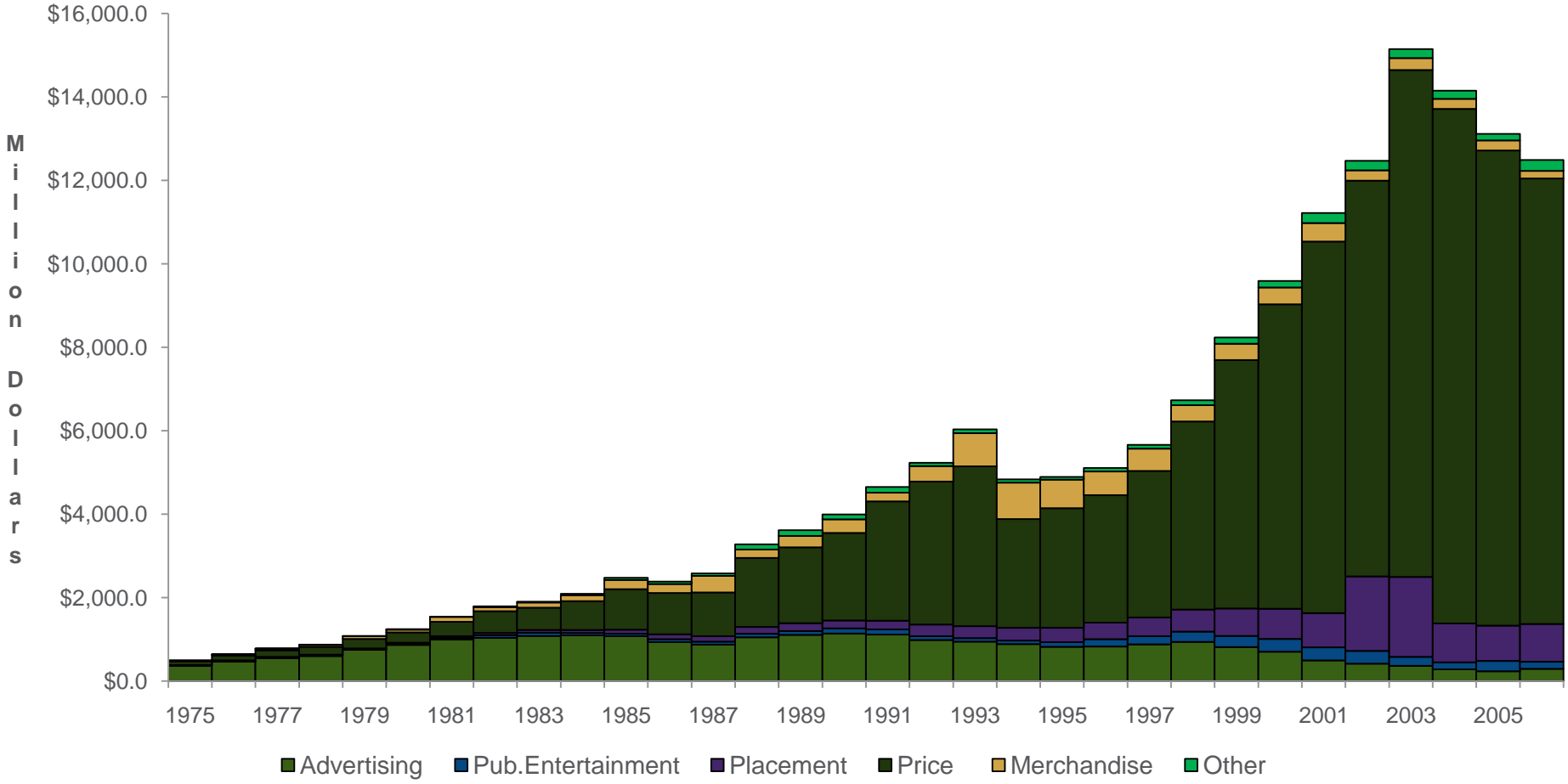
Source: Van Walbeek, 2003

Global Cigarette Taxes & Prices By income level, 2008



Cigarette Marketing Spending

By type, 1975-2006



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Source: Federal Trade Commission, 2009, and author's calculations

Industry Response to Taxes

On February 4th, 2009, the Federal Government enacted legislation to fund the expansion of the State Children's Health Insurance Program (SCHIP) that increases excise taxes on cigarettes by 158%.

As a result, you will see the price of all cigarettes, including ours, increase in retail stores.

We know times are tough, so we'd like to help. We invite you to register at Marlboro.com to become eligible for cigarette coupons and special offers using this code: **MAR1558**

Thank You,

Philip Morris USA

Tobacco Taxes, Prices, and Tobacco Use

Tobacco Taxes & Tobacco Use

Higher taxes and prices:

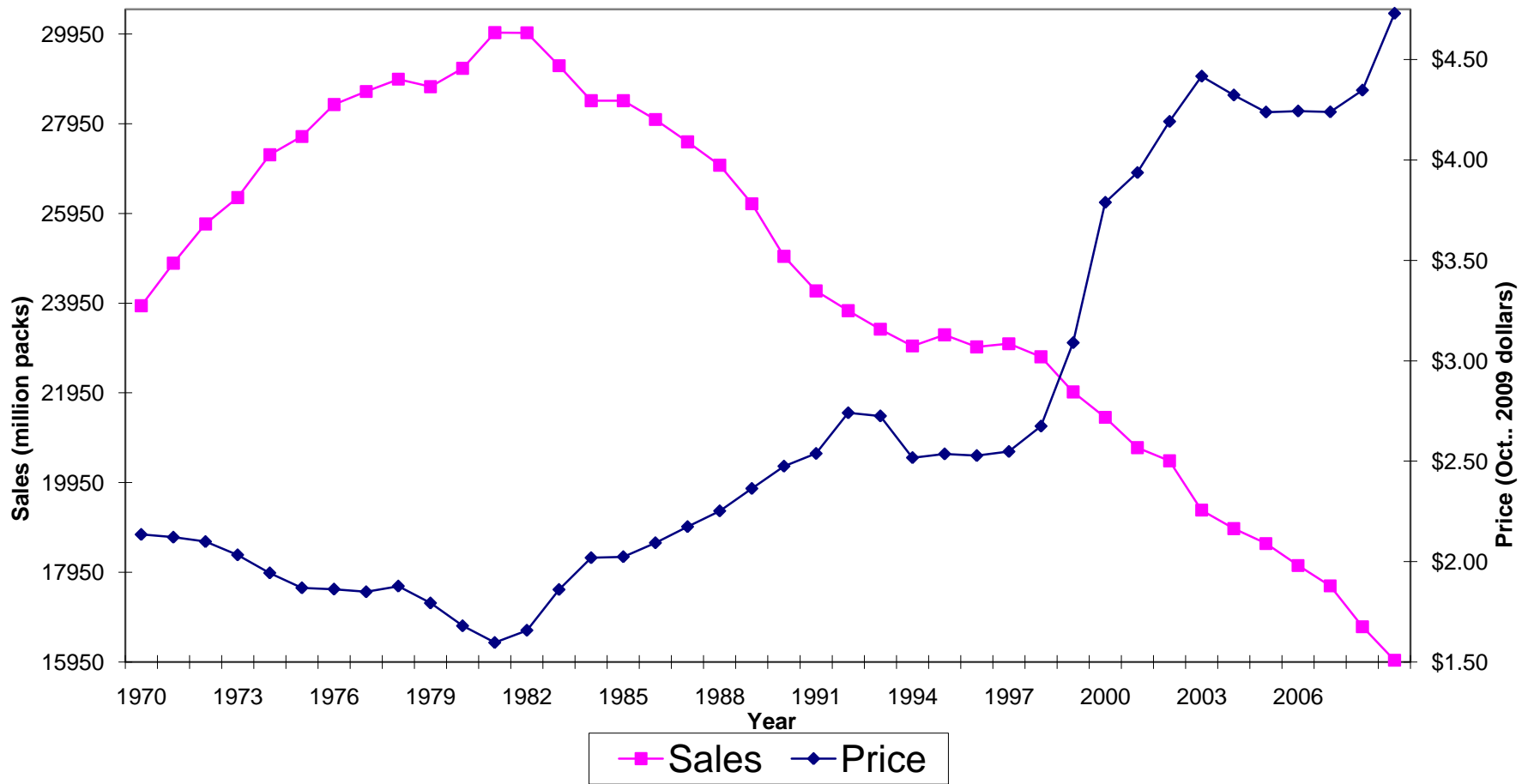
- Lead current users to quit
- Prevent former users from restarting
- Keep kids from taking up
- Reduce consumption among continuing users

Estimates from US and other high income countries are that 10% price rise reduces overall use by about 4%

- Larger impact on most LMICs

Cigarette Prices & Sales

United States, 1970-2009

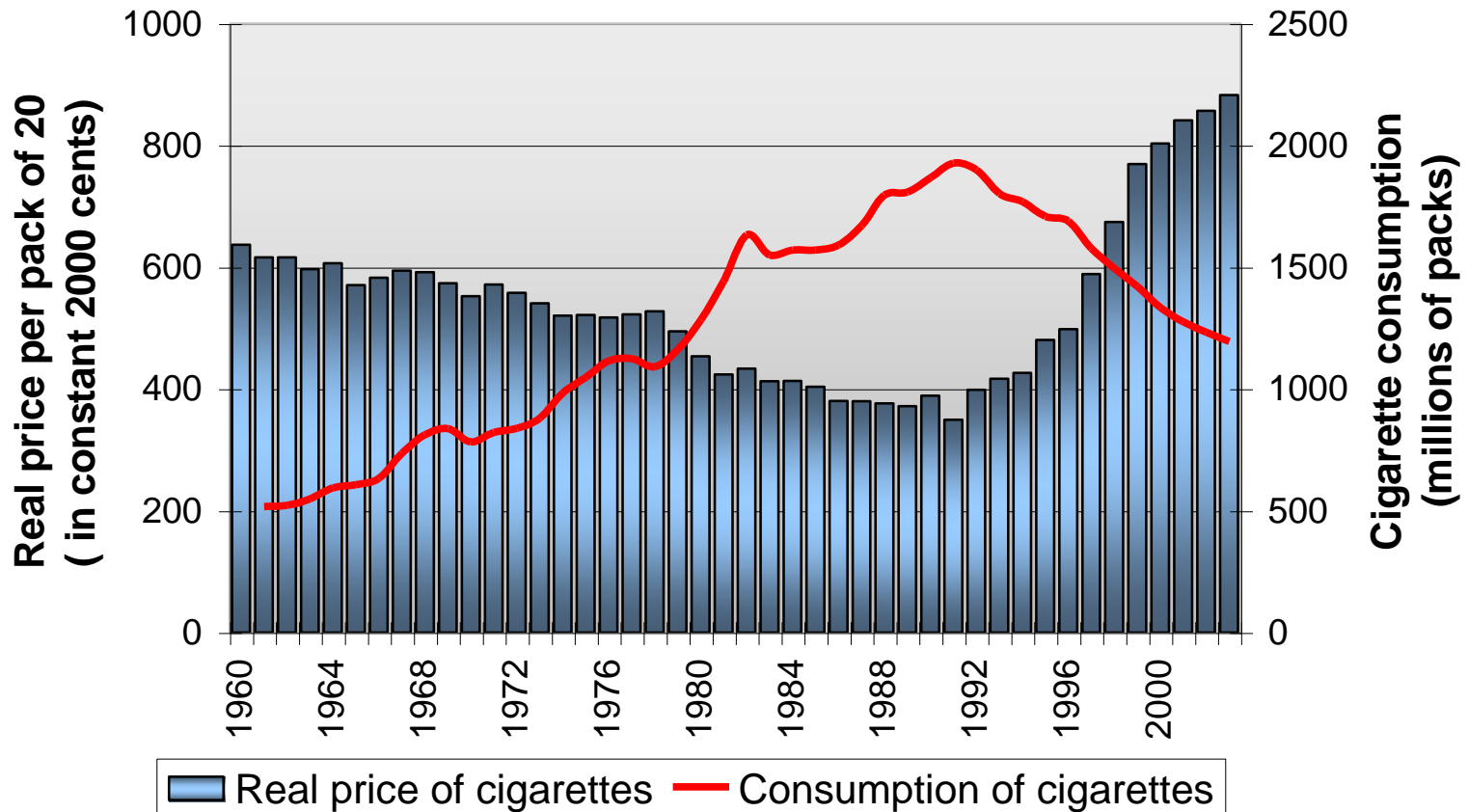


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Source: Tax Burden on Tobacco, 2010, and author's calculations

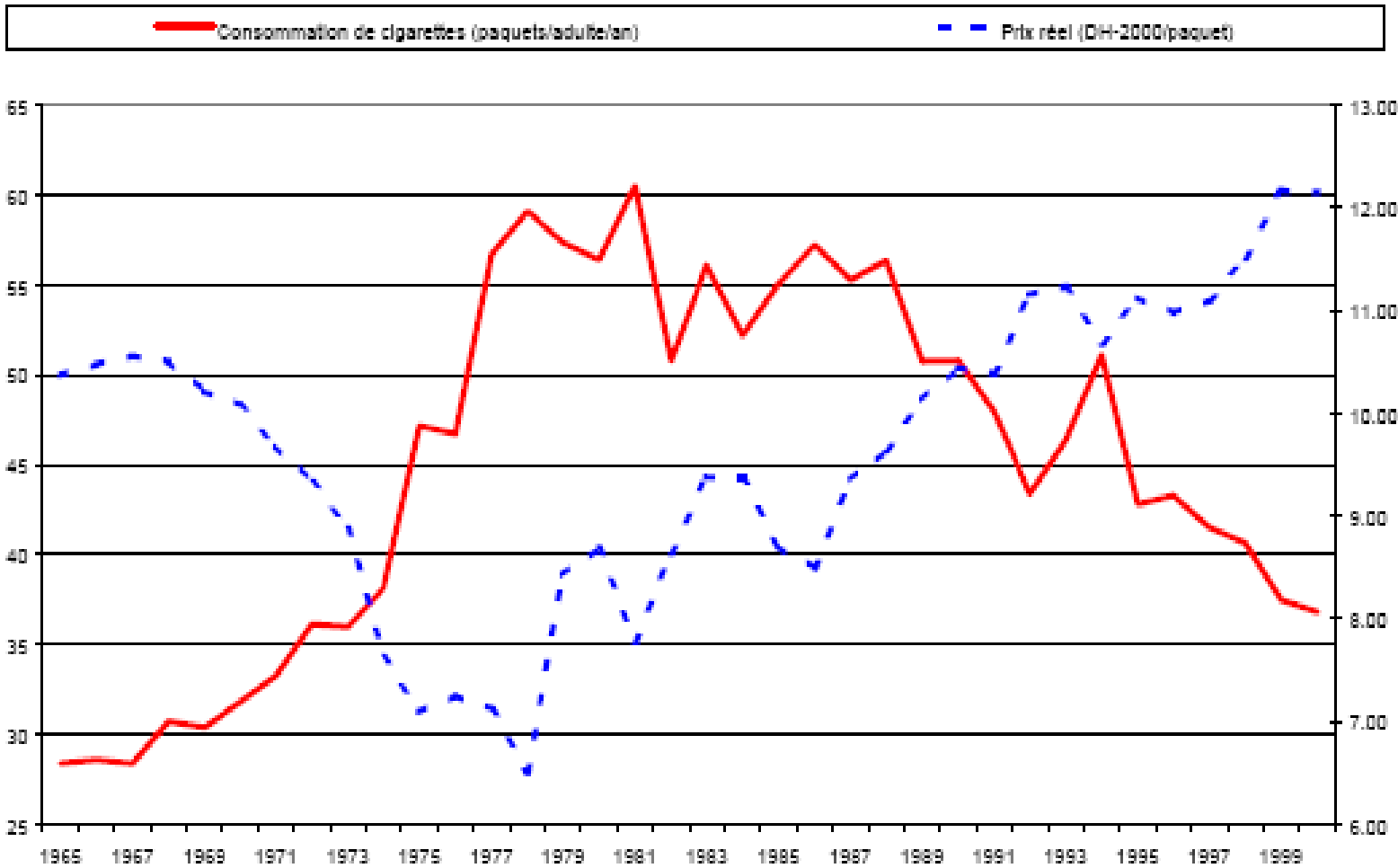
Cigarette Prices & Sales

South Africa, 1960-2003



Cigarette Prices & Sales

Morocco, 1965-2000

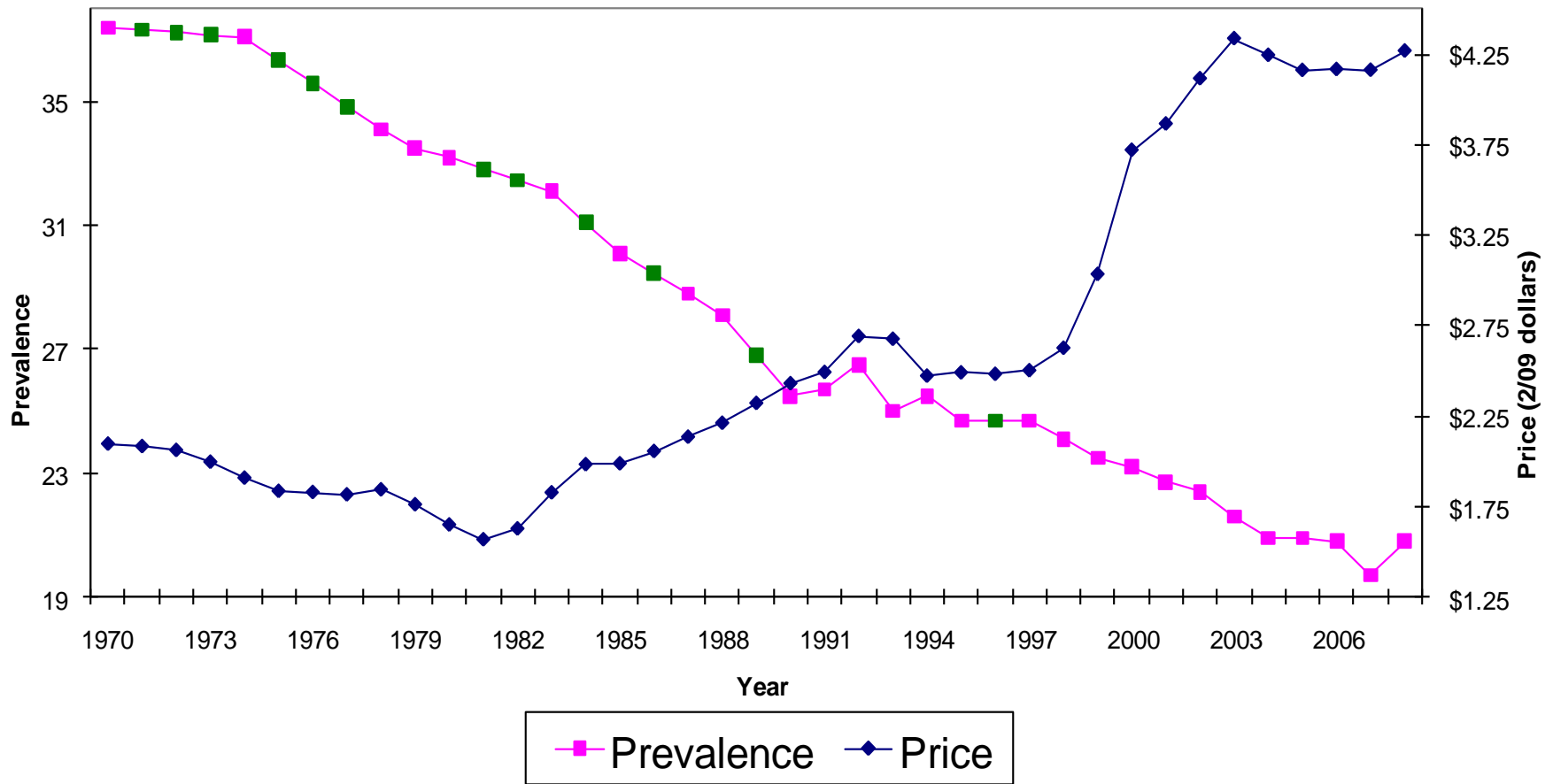


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Source: Aloui 2003

Cigarette Prices & Adult Prevalence

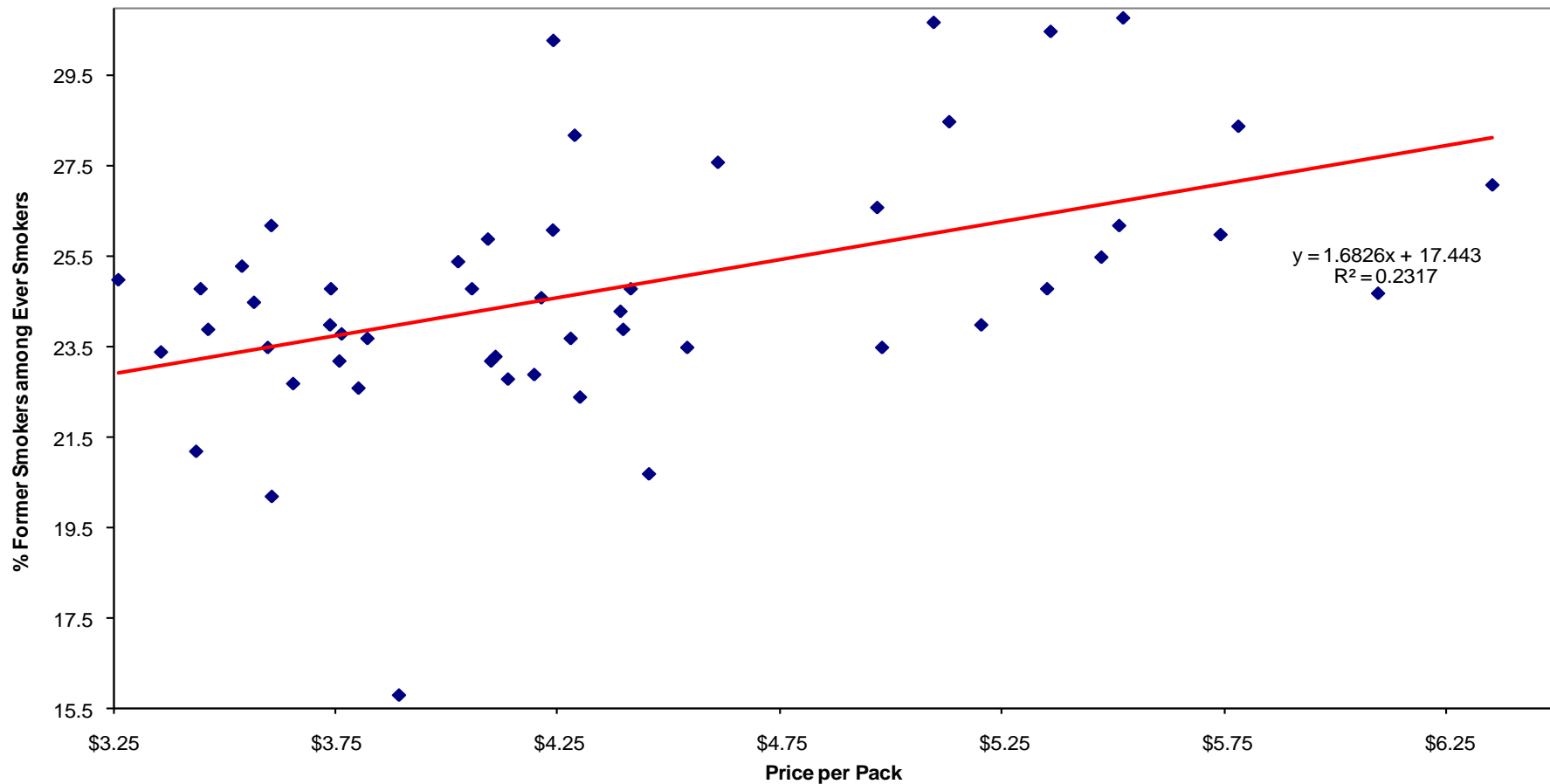
United States, 1970-2008



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Source: NHIS, *Tax Burden on Tobacco*, 2010, and author's calculations
 Note: green data points for prevalence are interpolated assuming linear trend

Cigarette Prices & Former Smoking 50 States & DC, 2007

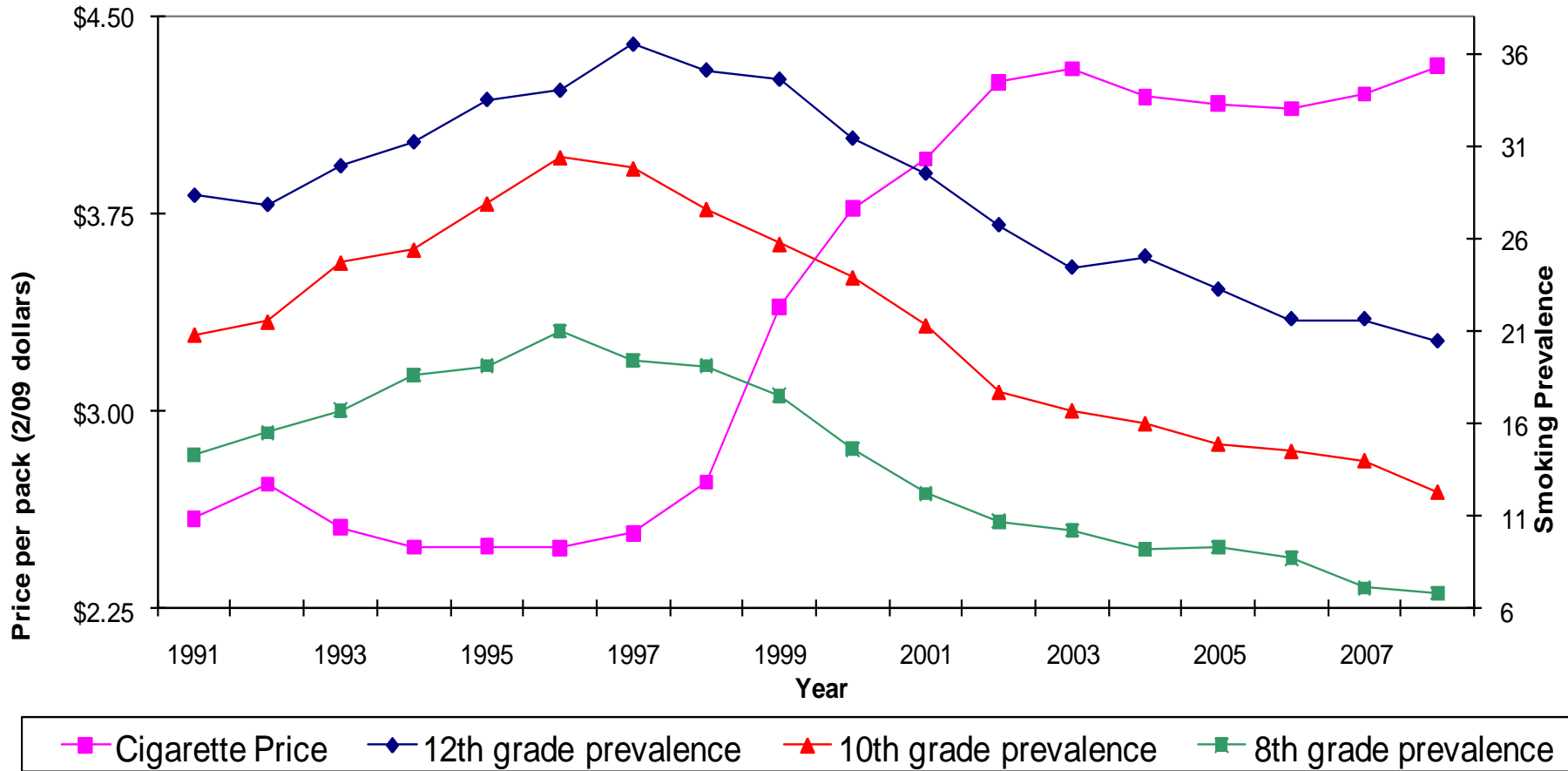


Young People More Price Sensitive

- Lower disposable incomes
- Greater importance of peer influences
 - about 1/3 of overall impact of price via peers
- Shorter history of use, less addicted
- More concerned about current costs than long term consequences
- Other spillover effects
 - parental smoking, social sources, etc.

Cigarette Prices & Youth Smoking

United States, 1991-2008

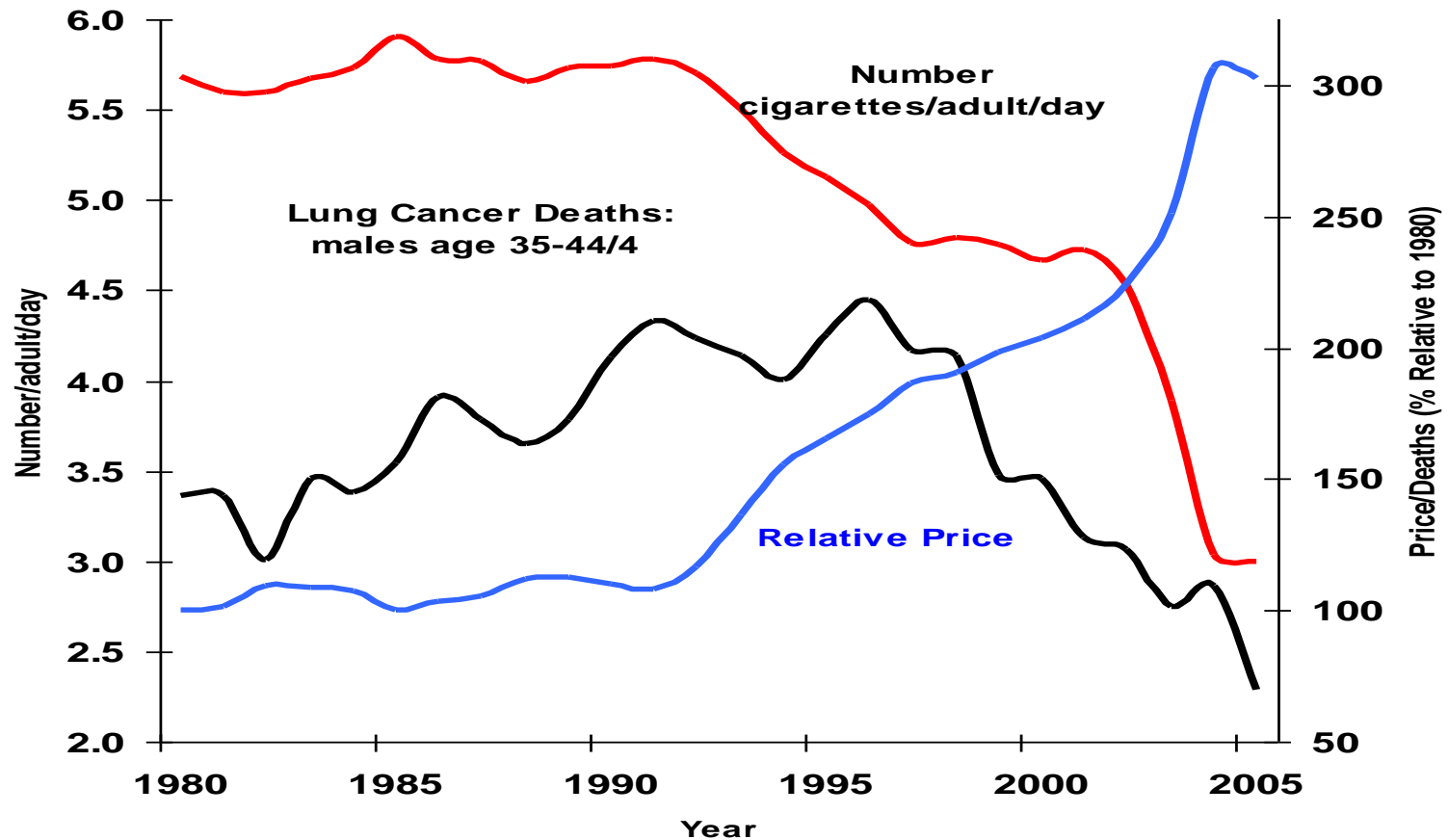


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Source: MTF, *Tax Burden on Tobacco*, 2010, and author's calculations

Cigarette Prices & Health

France, 1980-2005



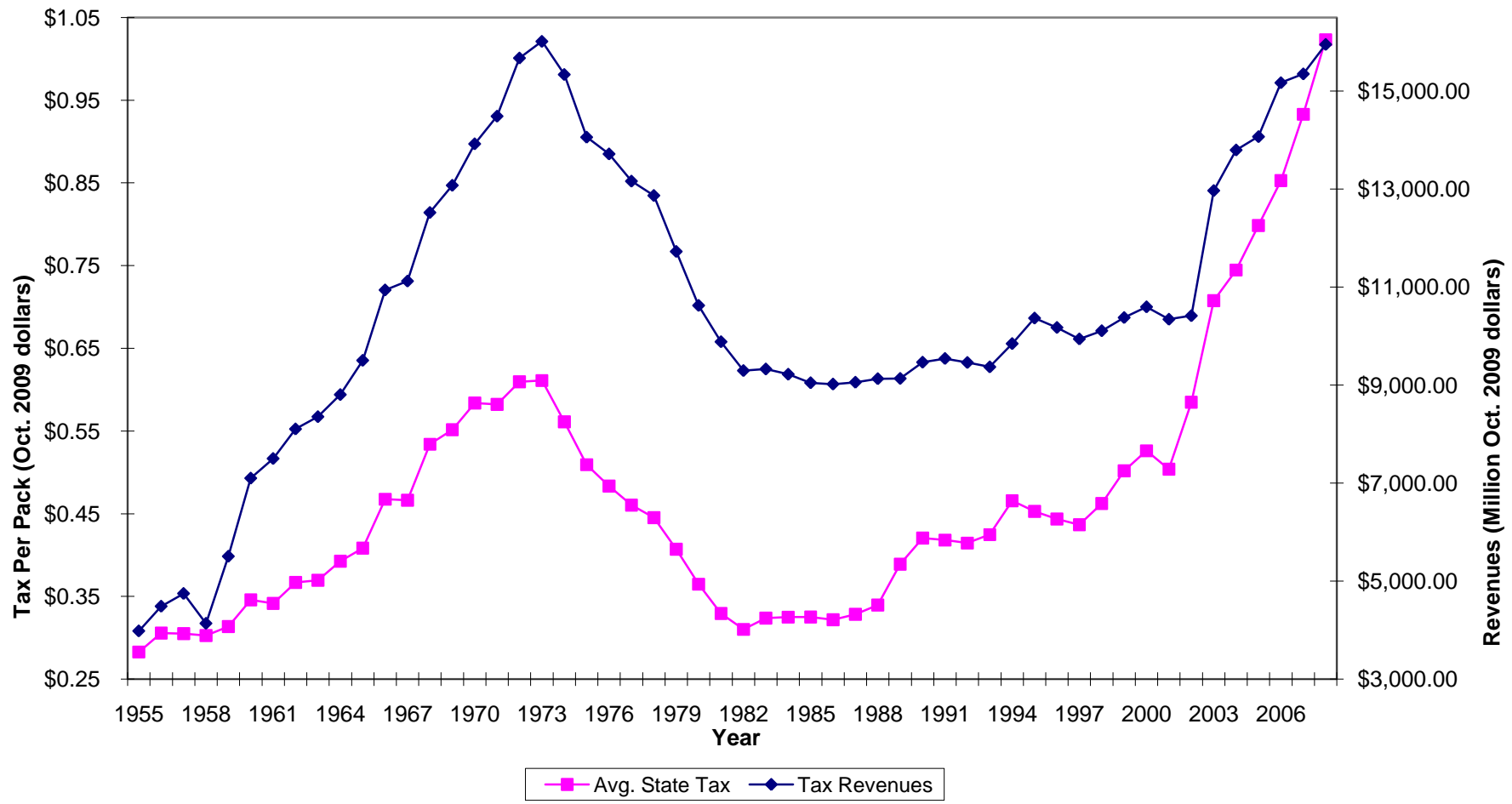
Impact of 2009 US Federal Tax Increase

- Sales reduced by over 900 million packs
- Almost \$9 billion in new tax revenues
- Over 1.15 million adult smokers quit
- Over 1.45 million youth deterred from taking up smoking
- Over 700,000 premature deaths averted
- Significant reductions in health care spending

Earmarked Tobacco Taxes and Comprehensive Tobacco Control Programs

State Cigarette Tax & Revenues

Inflation adjusted, 1955-2009

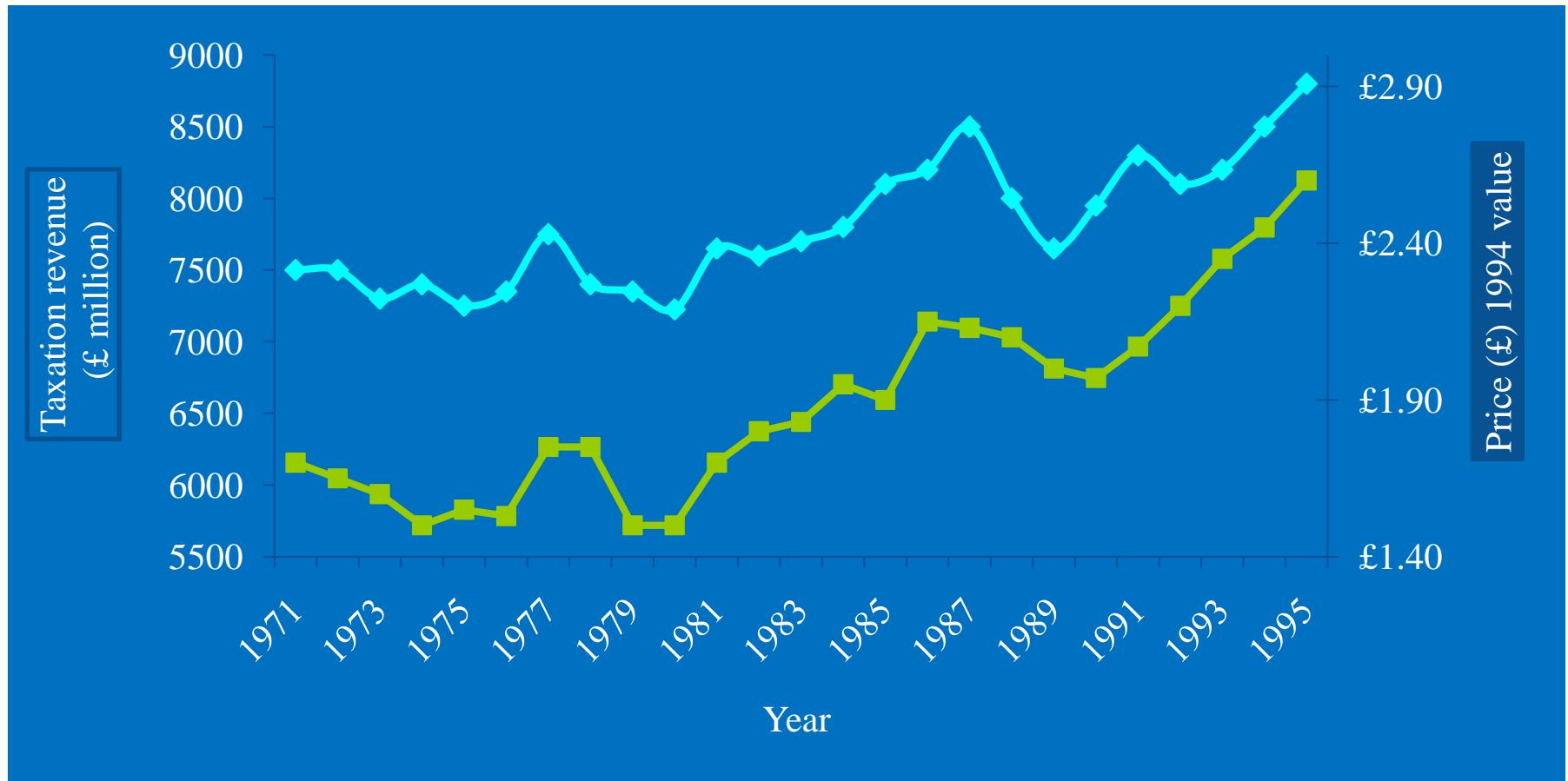


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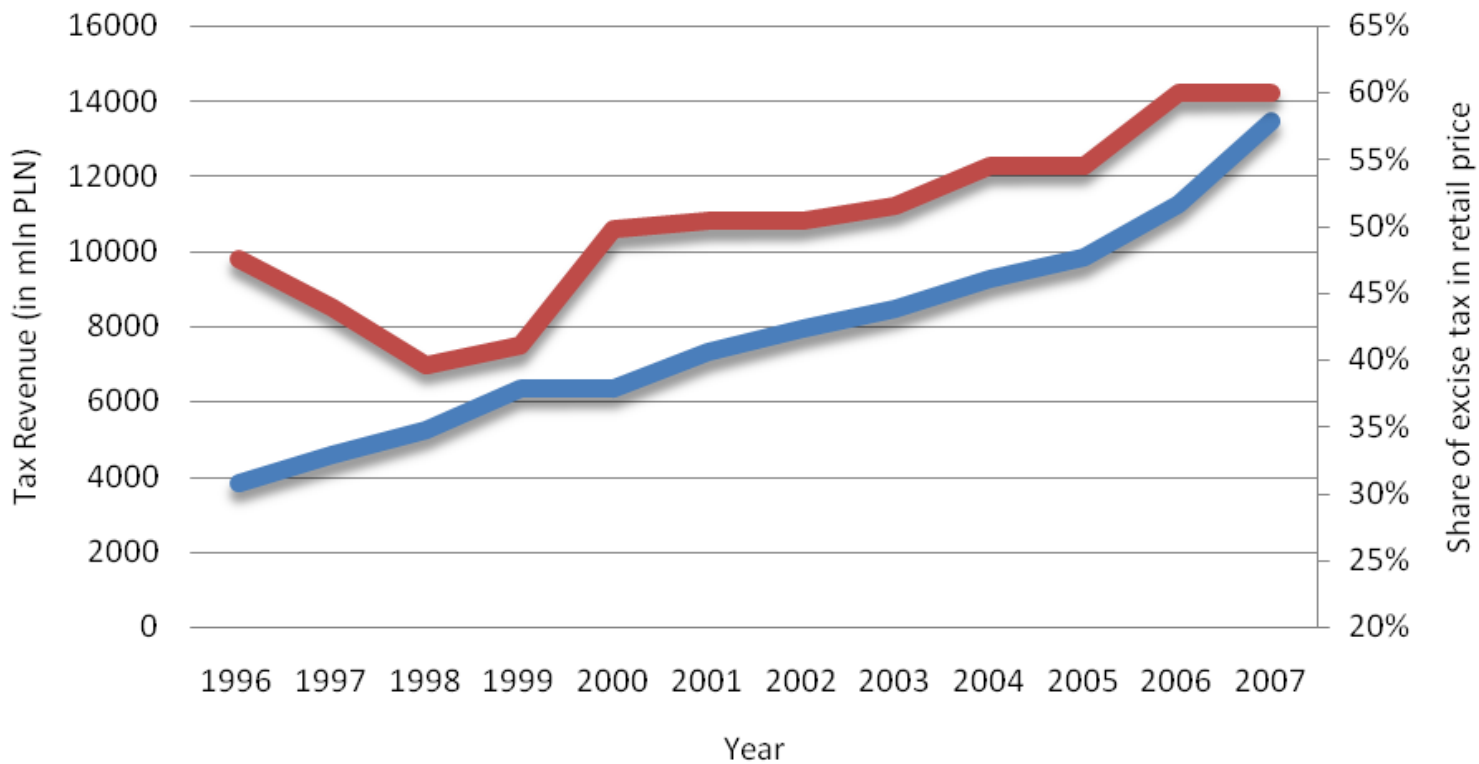
Source: *Tax Burden on Tobacco*, 2010, and author's calculations

Cigarette Price & Tax Revenues

United Kingdom, inflation adjusted, 1971-1995



Cigarette Tax/Price & Tax Revenues Poland, 1996-2007



Percentage share of excise tax in retail price of MPPC cigarettes

Tobacco excise tax revenue in Poland (in mln PLN)

Source: Stoklosa & Ciecierski, 2010

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Comprehensive Tobacco Control Programs

Primary aims:

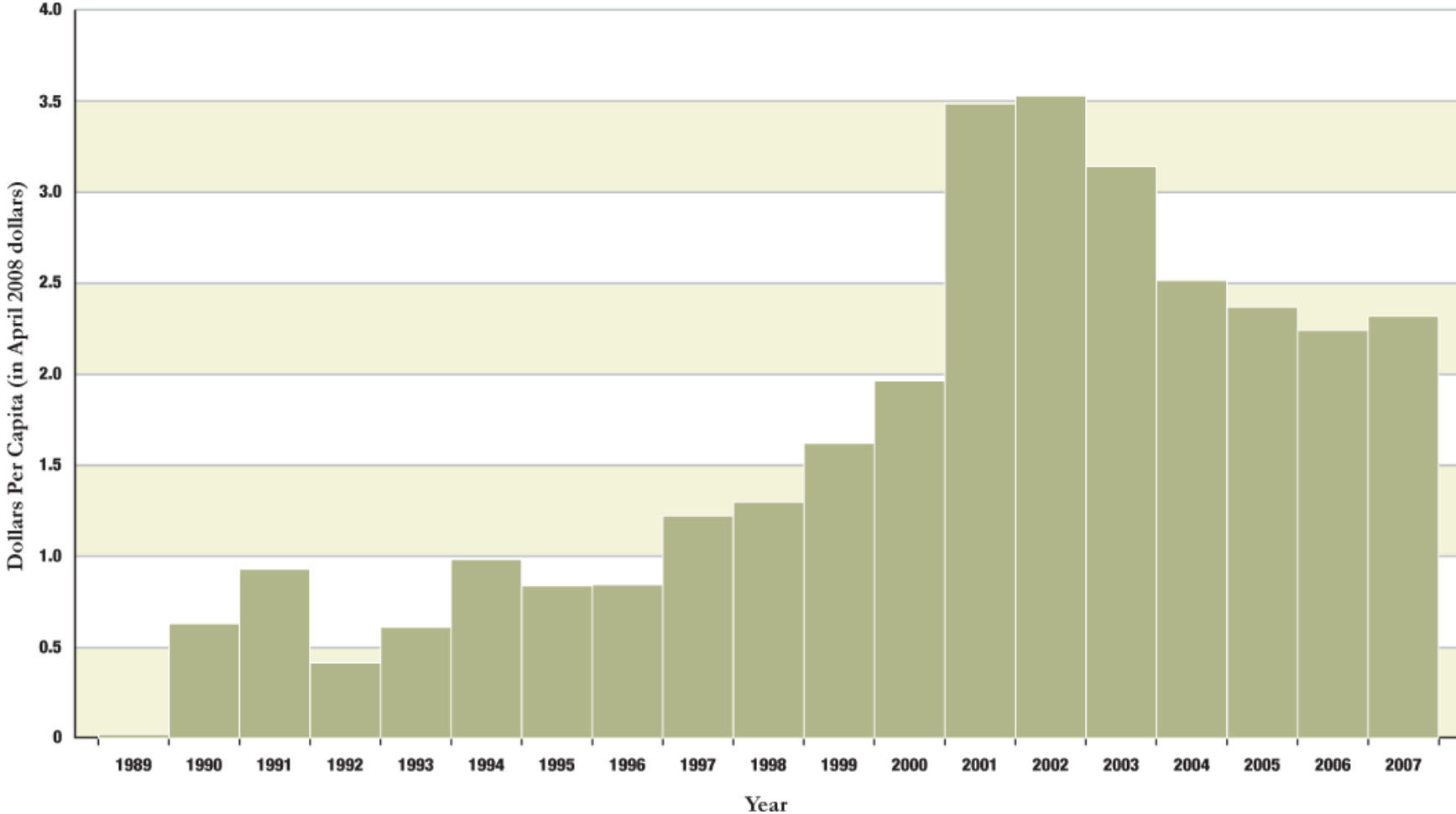
- Prevent youth initiation
- Promote young adult & adult cessation
- Eliminate exposure to secondhand smoke
- Identify and eliminate disparities in tobacco use and its consequences

Comprehensive State Tobacco Control Programs, US

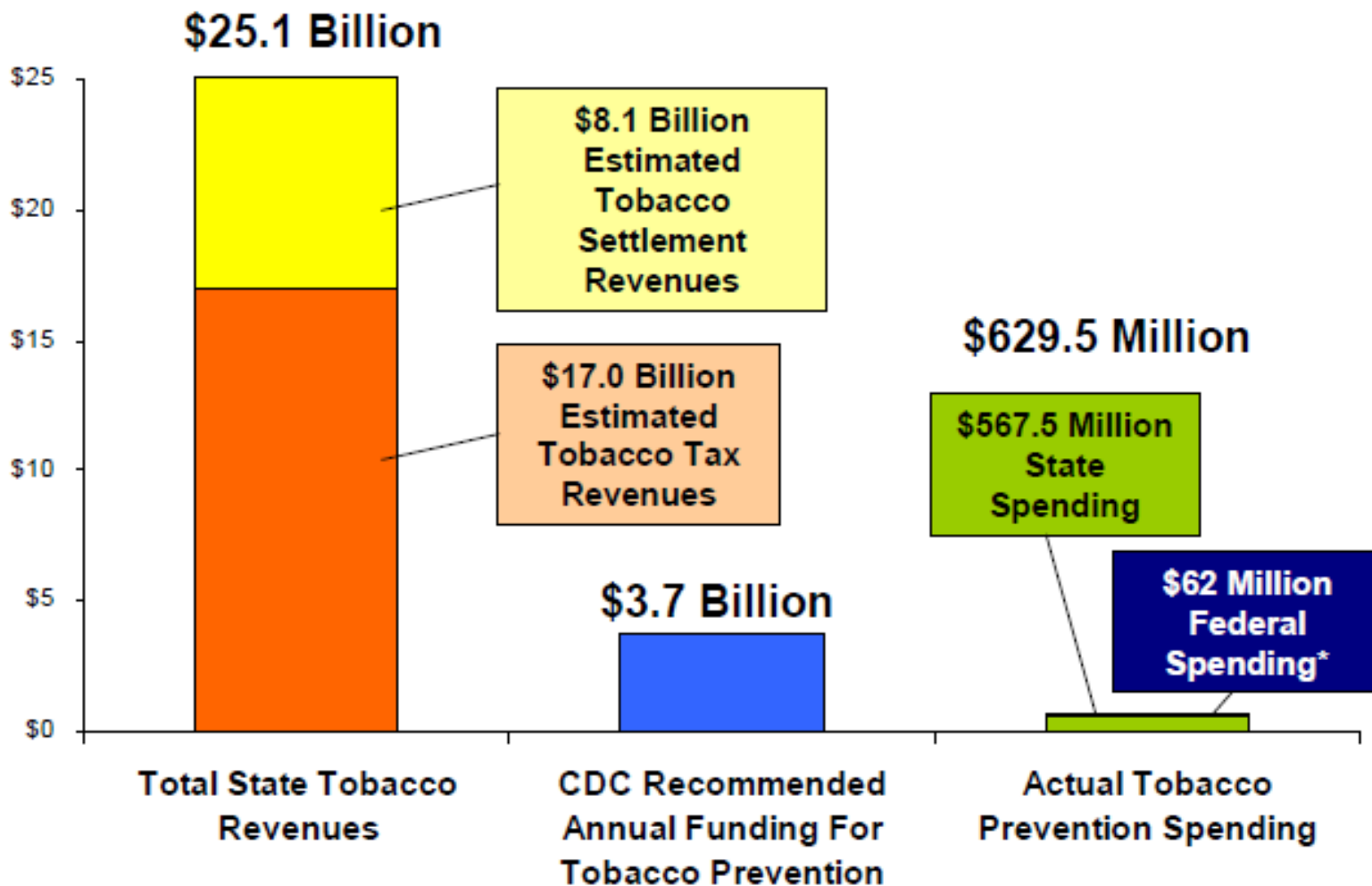
- State and community interventions
 - policy development/implementation, strengthen anti-tobacco norms, reduce disparities
- Health communications interventions
 - mass media countermarketing, replacement of industry sponsorship/promotion, targeted messaging and delivery
- Cessation interventions
 - policy, health systems change, and population based measures
- Surveillance, evaluation, administration, and management

Tobacco Control Program Funding

Per capita, inflation adjusted, 1989-2007



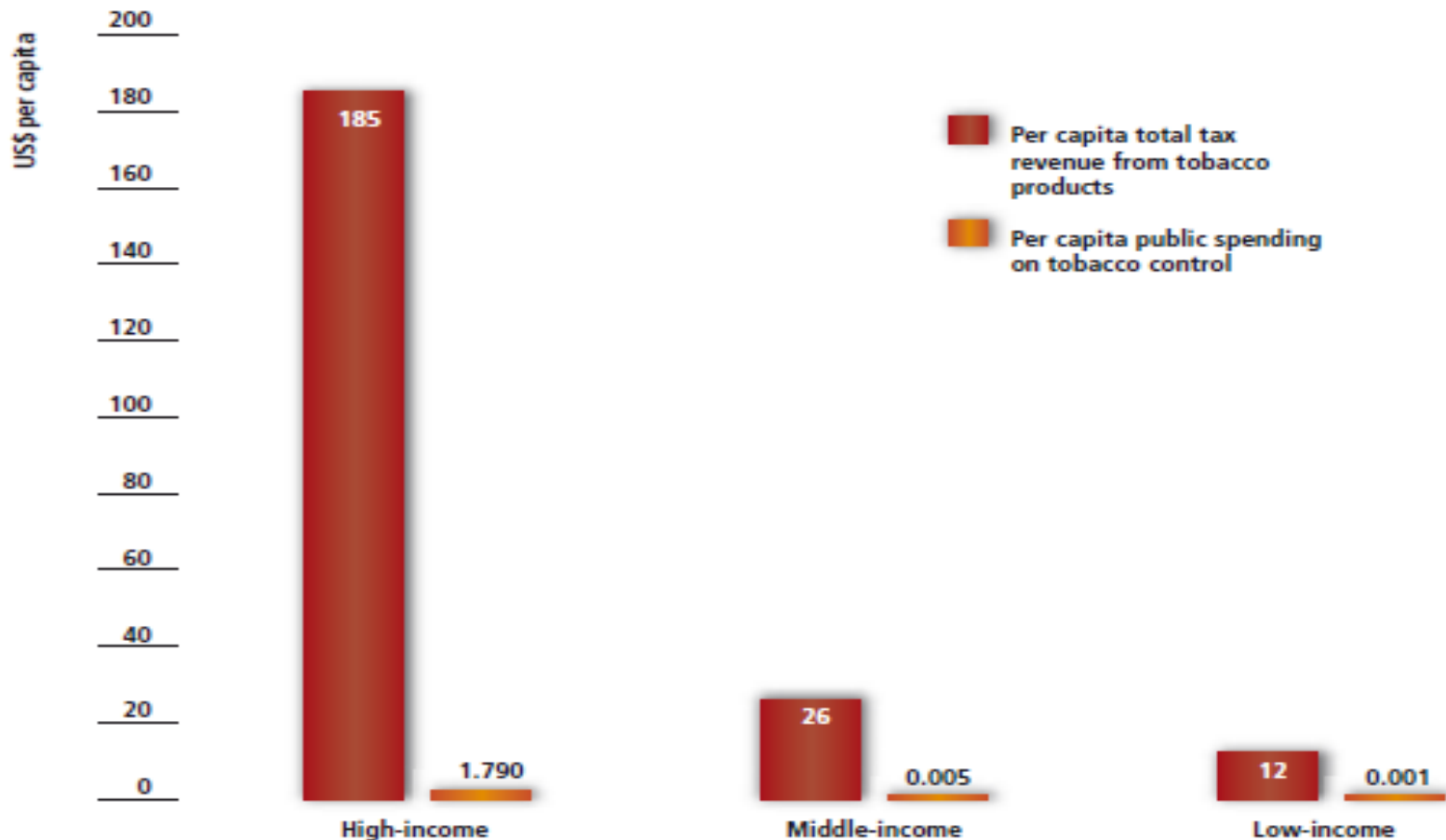
Program Funding vs. Tobacco Revenues FY 2010



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Source: Tobacco Free Kids, et al., 2009

Program Funding vs. Tobacco Revenues 2007-2008, by income level



Note: Based on 55 countries that provided information on both tax revenues from tobacco products and expenditures for tobacco control for 2007 and 2008.

Impact of Program Funding, US

Significant reductions in state cigarette sales

- Estimated up to 8.7% decline by 2000 if states funded at \$6 per capita

Significant reductions in youth smoking

- 2% reduction in prevalence in 1990s from existing programs; could have been 13% if funded at levels recommended by CDC

Significant reductions in adult smoking

- Funding at CDC minimum could have reduced adult prevalence by 5.4%

Summary

Tobacco tax increases have been highly effective in reducing tobacco use and the death, disease, and economic losses caused by tobacco use

- Further reductions when revenues from taxes are earmarked for comprehensive tobacco control programs

Similar potential for using taxes and resulting tax revenues to promote healthy eating and to curb obesity

For more information:

www.bridgingthegapresearch.org

www.impactteen.org

www.uic.edu/~fjc

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