

MODULE 5: TOBACCO USE: PREVENTION, CESSATION AND POLICY

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# Tobacco Use: Prevention, Cessation and Policy

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**Public Health**  
Learning Modules

Using **Healthy People 2020**  
to Improve Population Health



ASSOCIATION FOR PREVENTION TEACHING AND RESEARCH



College of Health Professions  
and Social Work  
TEMPLE UNIVERSITY\*

Module 5: Tobacco Use: Prevention, Cessation and Policy



# 5

## Part 4: Using Policy to Impact Tobacco Usage



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# Healthy People 2020 Tobacco Control Objectives: Increase Federal and State Laws on Tobacco Taxes- HP 2020 Objective 17

Learning Objective of this Section:

Expand knowledge and applications for the development of increasing federal, state, and local taxes on tobacco products to reduce tobacco consumption

# Federal Tobacco Taxes Historical Perspective

- **1794** - First federal tobacco tax on snuff - proposed by Alexander Hamilton, Sec. of Treasury, opposed by James Madison, short-lived and repealed
- **1862-1875** - excise taxes on many items, including tobacco for Civil War treasury, raised in 1862, 1865, 1867, and 1875 - sin taxes
- **1880** - tobacco taxes, 31% of all federal receipts from taxes - 50% for smoking and chewing tobacco, 40% cigars
- **1910-1920** > 500% increase in federal tobacco tax, stable in 1930s, increase for WWII but stable in 1950's and 1960's



# Federal Tobacco Taxes Historical Perspective

## - Building the Case for Public Health

- 1971 - Fed. Tobacco taxes totaled \$2.1 Billion
- Bottom line: taxes on tobacco were profitable for the government and easy to collect
- 2009 - Child Health Insurance Program (CHIP) Re-authorization Act raised federal tobacco excise tax from .39 to \$1.01 per pack of 20 cigarettes - purposeful federal tax to expand health insurance coverage and increase eligibility for CHIP (under 18 years of age) - earmarked revenues for health and tobacco prevention purposes

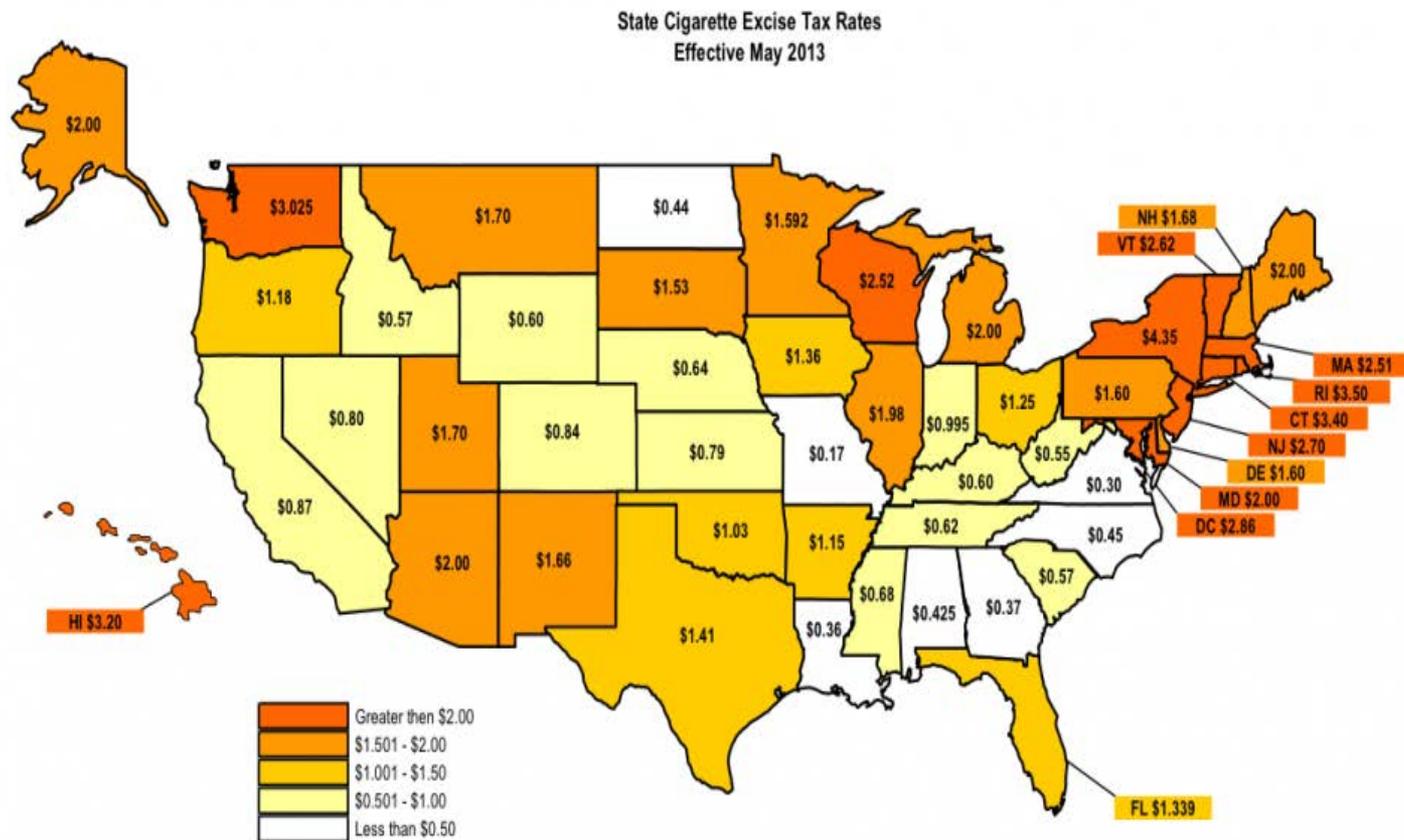
# State Tobacco Taxes Historical Perspective - Building the Case for Public Health

- 1921 - Iowa
- 1930 - 12 states
- 1950 - 40 states and Wash D.C. - tax range of 1-5 cents/pack, Louisiana - 8 cents tax per pack
- 1966 - North Carolina became last state to tax tobacco (2c/pack)
- 1960's and 1970's local counties and large cities (NY, Chicago) began to tax tobacco - NY - highest combined state and local tax of \$5.85/pack, Chicago's combined tax is \$5.66/pack
  
- CDC's State Tobacco Activities Tracking and Evaluation (STATE) system database - an electronic data warehouse with epidemiologic and economic data on state tobacco-related legislation

# State Cigarette Excise Tax Rates

## U.S. Regional Summary, Continued

Figure 58. U.S. State Excise Tax Rates



Source: www.nocigtax.com, Company Reports and Citi Investment Research and Analysis

# Smokeless/Non-Cigarette Tobacco Taxes - Federal, State

Federal taxes on non-cigarette tobacco products raised 2-4 fold from 2009 Children's Health Insurance Program Reauthorization Act

- 49 states (except PA) tax non-cigarette products
- Tax rates vary - WI at 100% of wholesale price (wp) to SC at 5% of wholesale price
- Raising Non-cigarette taxes can prevent initiation or switching from cigarettes to lower priced alternative tobacco products

# The Pros and Cons for Raising Tobacco Taxes

## PROS

Price elasticity of tobacco

-10% increase leads to 2.5-5% reduction more on poor populations (ave. 4%)

-Youth elasticity is estimated at 7% reduction

-Sales - 10% in price = 5% in sales

Youth and low income pops reduce tobacco use, prevents youth from starting

Earmarked revenue for public health and tobacco control and prevention

-Pro-health messaging

-Poorer communities suffer more from tobacco-related illnesses

## CONS

Regressive tax impacts low income population

Lost \$ to states - reluctant to raise state taxes with federal tax

Cross-border travel to lower taxed states

# Tobacco Tax Increases - Effect on Price - Industry Practices to Keep Retail Prices Low

- Large increases such as \$2/pack have the greatest impact on consumption
- Discounting to distributors and retailers to keep prices lower after a large federal or state tax increase
- Generic brands and lower-priced brands readily available
- Coupons - direct communication with tobacco consumers
  - Also serves an advocacy role to resist tobacco tax policies
- Bottom line for impacting on consumption - the retail price
- Can Public Health limit marketing efforts of the tobacco industry?
- What is the role of the FDA and other government bodies?

# Raising Tobacco Taxes - The Massachusetts Example

- 1990 - Creation of MA Tobacco Tax Initiative - learning from 1998 CA Prop 99
- 1992 Ballot proposition (Question 1) increase by \$.25/pack, estimated \$100M earmarked for tobacco education and control programs
- ACS lead
- Polling
- Formation of MA Coalition for a Healthy Future - broad coalition of health and community organizations, businesses, human service organizations
- Nearly 150,000 signatures to get on the ballot
- MA Citizens for Limited Taxation stayed neutral but TI formed its own Committee Against Unfair Taxes, and filed lawsuits on constitutionality of earmarking

# Raising Tobacco Taxes - The Massachusetts Question 1 Example

- Coalition marketing - focus on the tobacco industry, health benefits, tobacco prevention for children
- ACS had 70% favorable rating, TI had 4% rating
- Question 1 passed with 54%
- 1993-1996 - Formation of the Massachusetts Tobacco Control Program
- \$96 Million initial allocation from Question 1 to Dept. of Health, Education, DARE, WIC, community health centers, substance abuse agencies, AIDS research, etc.
- Battleground moved to state legislature who pitted health programs against each other, supplanting concern - allocation reduced to \$67 Million within four years
- Results: Created a smoke-free norm in MA, consumption reduced by over 17%, more than 3x expectations, additional \$.25 per pack tax increase in 1996 to fund health care access for poor and elderly
  - MA adult smoking rate at 18% (2011), significant drop in youth tobacco use

# “Best Practice” Strategies to Develop and Sustain Tobacco Tax Increases

- Action Steps:
  - Assess current tobacco use rates
  - Calculate healthcare and productivity costs to state or locality - federal \$96B, \$193B
  - Review history and status of tax increases - CDC STATE, other sources
  - Determine purpose(s) of increase - health gains
  - Form broad coalition with many partners
  - Develop a financial and communication plan

# “Best Practice” Strategies to Develop and Sustain Tobacco Tax Increases

- Action Steps:
  - Build “grassroots” support
  - Obtain legal assistance
  - Draft a proposition, bill, or ordinance
  - Obtain political sponsors/supporters
  - Educate and communicate via various channels
  - Evaluate/assess the process and the results
  - Maintain coalition and monitor and work with the legislature on sustaining allocation over time

# Tobacco Tax Policy Considerations and Challenges

- Specific policy and legal provisions
- Clear health argument and purpose
- The economic argument - direct and indirect costs of tobacco use, impact on nation, state, or locality
- Earmarking for health initiative
- State Preemption for local laws
- Anti-Tax movement, legislator pledges
- Strong industry lobbying
- Legislature supplanting after passage

# Tobacco Taxes - Discussion Question

Discussion question: Consider the current tobacco tax law in your state or locality in light of the Massachusetts experience:

- What are the current tax rates for various tobacco products?
- How do those rates and how does the retail price of tobacco products compare with the national averages and neighboring states?
- What realistic tax changes should be considered to make the biggest difference in adult and youth tobacco use rates?
- What models and examples can you use to frame the tax proposal?

# Tobacco Taxes - Discussion Question

Discussion question: Consider the current tobacco tax law in your state or locality.

- What evidence and resources are needed?
- What key supporters and stakeholders would you involve in forming a coalition to raise the tobacco tax(es)?
- How would you assess the views of your community or state on the current tax rates and your proposed tax increases?
- How could you obtain the financial support needed to create legislation to amend the current tax rates?

# Increase Federal and State Laws on Tobacco Taxes - Summary

- Tobacco has a long history of govt. taxation
- Large increase in federal, state and local taxes in the past 20 years, more recently with non-cigarette products
- Strong evidence that raising taxes and subsequent retail prices greatly reduces tobacco consumption by adults and youth (prevention) - Evidence of price elasticity - 10% increase leading to 3-7% decline in purchases
- Various arguments pro and con tax increases
- Study of state and local initiatives such as that in Massachusetts in 1990-1993 provide a model for future tax considerations
- Planning, implementing, and sustaining a tobacco tax increase requires a long-term, community-based, grassroots commitment, organization and resources