



BENEFITS FROM A \$1.00 CIGARETTE TAX INCREASE IN WISCONSIN

Current State Cigarette Tax: 77 Cents Per Pack (33rd among all states)

Smoking-caused costs in state per taxed pack sold: \$9.53

Average retail price per pack: \$4.17 (state share from excise and sales taxes: \$0.97)

Annual health care expenditures in Wisconsin directly caused by tobacco use: \$2.02 billion

Total state Medicaid program smoking costs each year: \$480.0 million

Annual state cigarette tax revenue: \$301.5 million (2006)

Projected Benefits From Increasing the State Cigarette Tax By \$1.00 Per Pack

- **New state cigarette tax revenues each year: \$227.5 million**
- **Pack sales decline in state: -96.2 million**
- **Percent decrease in youth smoking: 16.4%**
- **Increase in total number of kids alive today who will not become smokers: 65,800**
- **Number of current adult smokers in the state who would quit: 33,300**
- **Number of smoking-affected births avoided over next five years: 9,100**
- **Number of current adult smokers saved from smoking-caused death: 21,000**
- **Number of kids alive today saved from later premature smoking-caused death: 8,800**
- **5-Year healthcare savings from fewer smoking-affected pregnancies & births: \$15.6 million**
- **5-year healthcare savings from fewer smoking-caused heart attacks & strokes: \$15.6 million**
- **Long-term healthcare savings in state from adult & youth smoking declines: \$1,467.9 million**

These projections are based on research findings that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4% (but adjusted down to account for tax evasion effects), and assume that the state tax will keep up with inflation. Nevertheless, the tax increase will both reduce smoking levels and increase state revenues because the higher tax per pack brings in more new revenue than is lost from the drop in the number of packs sold. These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and tax revenues) from new tax avoidance efforts after the tax increase by continuing continuing in-state smokers, and from fewer sales to smokers from other states or to informal or small-scale smugglers. Projected new revenue amounts are for net new revenues above the actual cigarette tax revenues received by the state in the year preceding the tax increase. Without any tax increase, it is likely that the revenues would decline by a small amount. Kids stopped from smoking and dying are from all kids alive today. Long-term savings accrue over lifetimes of persons who stop smoking or never start because of tax increase. These projections assume that the state will follow standard practice and apply the cigarette tax increase to all previously tax-stamped or otherwise tax-paid cigarettes held in inventory by wholesalers or retailers on the effective date of the increase. Failing to tax such cigarettes held in inventory would open the door to massive pre-increase stockpiling by retailers and wholesalers to evade the increase, drastically reducing the amount of new state revenues. All cost and savings amounts are in 2004 dollars.

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For more information, see the Campaign fact sheets – including *Raising State Tobacco Taxes Always Reduces Tobacco Use (& Always Increases State Revenues)* – at <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18>.

Sources. Chaloupka, F, "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://tigger.uic.edu/~fjc> and www.uic.edu/orgs/impacteen. Orzechowski & Walker, *Tax Burden on Tobacco*, 2006. USDA Economic Research Service, www.ers.usda.gov/Briefing/tobacco. Farelly, M, et al., *State Cigarette Excise Taxes: Implications for Revenue and Tax Evasion*, RTI International, May, 2003, http://www.rti.org/pubs/8742_Excise_Taxes_FR_5-03.pdf. State tax offices. CDC, *Data Highlights 2006* [and underlying CDC data/estimates]. Miller, P, et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1):25-35, February 2001. Lightwood, J & Glantz, S, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4):1089-1096, August 19, 1997, <http://circ.ahajournals.org/cgi/content/full/96/4/1089>. Hodgson, T, "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. U.S. Census. National Center for Health Statistics. Please direct questions to Eric Lindblom, 202-296-5469 or elindblom@tobaccofreekids.org.

Projections will be updated and improved as updated underlying data becomes available and when new data and research findings prompt refinements to the projection models and formulas.