NEW REVENUES, PUBLIC HEALTH BENEFITS & COST SAVINGS FROM A $1.50 CIGARETTE TAX INCREASE IN EACH STATE

Tobacco tax increases are one of the most effective ways to reduce smoking and other tobacco use, especially among kids.

Significantly increasing state tobacco tax rates will generate huge financial benefits for states. Every state that has significantly increased its cigarette tax has enjoyed substantial increases in revenue, even while reducing smoking. Higher tobacco taxes also save money by reducing tobacco-related health care costs, including Medicaid expenses. To amplify benefits and cost savings, revenue generated from tobacco tax increases should be allocated to state programs that prevent children from starting to smoke and help people who smoke quit.

The table below highlights the projected economic and public health benefits from each state increasing its cigarette tax by $1.50 per pack. States will realize even greater benefits with higher tax increase amounts, while small tax increase amounts have minimal public health benefits or cost savings because the cigarette companies can easily offset the increases with coupons and other promotional discounting.

	Current State Tax (per pack)	Projected New First-Year Revenue (in millions)	Youth Prevented from Becoming Adults Who Smoke	Adults Who Would Quit Smoking in the First Year	Premature Smoking-Caused Deaths Prevented	5-Year State Medicaid Cost Savings (in millions)	Long-Term Health Care Cost Savings (in millions)
States Total	**$2.05 (avg)**	**$6,091.31**	**231,600**	**860,300**	**275,400**	**$363.00**	**$14,346.50**
Alabama	$0.675	$169.14	5,500	15,900	5,500	$0.83	$290.56
Alaska	$2.00	$11.73	700	2,200	700	$1.81	$38.93
Arizona	$2.00	$82.23	4,400	17,900	5,600	$10.47	$289.78
Arkansas	$1.15	$88.15	2,700	11,000	3,400	$2.36	$177.99
California	$2.87	$249.50	21,200	75,300	24,700	$83.81	$1,275.08
Colorado	$2.24	$76.46	4,500	13,000	4,500	$5.73	$237.63
Connecticut	$4.35	$26.51	2,300	7,400	2,400	$4.29	$129.81
Delaware	$2.10	$29.33	600	2,400	700	$1.17	$39.06
DC	$4.50	$0.67	300	1,400	400	$0.63	$21.74
Florida	$1.339	$486.70	16,800	56,300	18,800	$13.67	$973.12
Georgia	$0.37	$328.60	5,400	28,500	8,400	$4.06	$427.93
Hawaii	$3.60	$12.52	500	2,700	700	$1.46	$40.30
Idaho	$0.57	$41.37	1,700	4,400	1,500	$0.96	$84.11
Illinois	$2.98	$135.06	7,800	31,000	9,800	$16.66	$505.60
Indiana	$2.995	$125.46	3,500	20,700	5,900	$5.84	$302.02
Iowa	$1.36	$78.39	2,500	9,400	3,000	$2.86	$156.12
Kansas	$1.29	$54.55	2,400	8,800	2,800	$1.07	$147.39
Kentucky	$1.10	$192.07	4,500	16,700	5,400	$6.37	$278.58
Louisiana	$1.08	$154.20	3,400	15,200	4,600	$10.54	$239.06
Maine	$3.50	$24.30	1,000	4,400	1,300	$1.26	$69.53
Maryland	$5.00	$28.97	2,300	11,900	3,400	$8.60	$179.62
Massachusetts	$3.51	$47.48	3,900	15,400	4,900	$9.55	$251.69
Michigan	$2.00	$217.47	7,500	31,100	9,800	$11.31	$500.46
Minnesota	$3.04	$69.08	4,100	13,700	4,500	$4.87	$237.04
Mississippi	$0.68	$110.74	2,100	9,800	3,000	$0.69	$152.21
Missouri	$0.17	$294.20	4,400	19,800	6,000	$4.00	$310.81
Montana	$1.70	$23.59	1,100	3,100	1,000	$0.87	$57.22
Nebraska	$0.64	$87.96	1,800	5,100	1,700	$1.19	$93.94
Nevada	$1.80	$46.01	3,500	9,700	3,300	$3.68	$180.27

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New Hampshire	$1.78	$63.77	1,000	3,100	1,000	$0.45	$55.14
New Jersey	$3.00	$88.65	5,600	19,300	6,300	$7.99	$330.27
New Mexico	$2.00	$24.86	2,500	5,900	2,100	$3.37	$117.38
New York	$5.35	$40.03	9,800	43,900	13,500	$35.74	$690.04
North Carolina	$0.45	$403.88	10,000	31,300	10,600	$10.61	$554.76
North Dakota	$0.44	$29.21	700	2,200	700	$0.29	$38.93
Ohio	$1.60	$302.06	9,500	39,600	12,400	$15.08	$636.20
Oklahoma	$2.03	$100.14	4,600	12,300	4,300	$2.85	$231.96
Oregon	$3.33	$57.33	2,600	10,000	3,100	$5.37	$164.84
Pennsylvania	$2.60	$210.51	9,400	39,200	12,300	$11.99	$629.69
Rhode Island	$4.50	$12.89	600	2,700	800	$1.32	$42.38
South Carolina	$0.57	$178.74	3,700	15,900	4,900	$2.20	$253.06
South Dakota	$1.53	$19.25	600	2,700	800	$0.48	$42.38
Tennessee	$0.62	$241.59	5,600	27,200	8,100	$5.90	$417.71
Texas	$1.41	$506.23	25,500	71,500	25,300	$12.48	$1,322.60
Utah	$1.70	$27.63	1,900	4,300	1,600	$1.14	$87.17
Vermont	$3.08	$9.06	400	1,700	400	$0.35	$27.14
Virginia	$0.60	$223.73	4,700	21,400	6,500	$7.55	$334.77
Washington	$3.025	$47.45	4,300	15,600	5,000	$10.03	$262.24
West Virginia	$1.20	$85.17	1,800	8,100	2,500	$1.23	$127.15
Wisconsin	$2.52	$109.80	3,800	16,500	5,000	$5.72	$261.78
Wyoming	$0.60	$16.89	600	1,700	500	$0.23	$31.31

Explanation & Notes

Projections are based on research findings that nationally, each 10% increase in the retail price of cigarettes reduces youth smoking by 6.5%, adult prevalence by 2%, and total cigarette consumption by about 4% (adjusted down to account for tax evasion effects). However, the impact of the tax increase varies from state-to-state, based on the starting pack price. Significant tax increases generate new revenues because the higher tax rate per pack brings in more new revenue than is lost from the tax-related drop in total pack sales. Small tax increase amounts do not produce significant public health benefits or cost savings because tobacco companies can easily offset the beneficial impact of such small increases with temporary price cuts, coupons, and other promotional discounting.

The projections incorporate the effect of ongoing background smoking declines, population distribution, and the continued impact of any industry pricing changes, state cigarette tax increases, or other changes in cigarette tax policies on prices, smoking levels, and pack sales. These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and lower net new revenues) from possible new smuggling and tax evasion after the rate increase and from fewer sales to people who smoke or smugglers from other states, including sales on tribal lands.

Projected numbers of youth prevented from smoking and dying are based on all youth ages 17 and under alive today. Savings to state Medicaid programs include estimated changes in enrollment due to changes in current law. Long-term cost savings accrue over the lifetimes of persons who stop smoking or never start because of the tax rate increase. All cost savings are in 2026 dollars.

Ongoing reductions in state smoking rates will, over time, gradually erode state cigarette tax revenues, in the absence of any new rate increases. However, those declines are more predictable and less volatile than many other state revenue sources and will simultaneously produce much larger reductions in government and private sector smoking-caused health care and other costs over time.

The projections were generated using an economic model developed jointly by Economics for Health, the Campaign for Tobacco-Free Kids, the American Cancer Society Cancer Action Network, and are updated annually. The state Medicaid cost savings projections are based on enrollment and cost estimates from the Center on Budget and Policy Priorities using data from the Centers for Medicare and Medicaid Services and other sources.

For more on sources and calculations, see https://www.tobaccofreekids.org/assets/factsheets/0281.pdf.