

HB 2

(11)

HOUSE COMMITTEE REPORT

Date Referred: March 20, 1992

FURTHER REFERRALS:

Date of Committee Action: 4/28/92

The FINANCE Committee considered:

HB 2

HOUSE BILL NO. 2

INCREASE CIGARETTE EXCISE TAX

"An Act increasing the excise tax on cigarettes."

RECOMMENDATIONS:

be replaced with CS HB 2 (HES) [] the same title [x] a new title

[] have attached amendments(s)

[x] do pass

[] do not pass

[] no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact _____

[x] fiscal note(s) REV 3/20/92

[x] zero fiscal note DHSS

[] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Eden M. ^{Mackin} _____	✓	_____ ^{JAKO}			X
Mike ^{Stovall} _____	✓	_____ ^{Burns}	X		
Mark ^{Boyer} _____	X	_____ ^{Shug}	X		
_____ ^{Kaplan}	✓	_____ ^{Phillips}			✓
_____ ^{Ulmer}	X	_____ ^{hanson}			X

Chairman's Signature: Mike Stovall

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. House Bill No. 2

Revision Date: _____ Dept. Affected Health & Social Services
 Title: An Act increasing the excise tax on BRU: State Health Services
cigarettes Component: Public Health Administration
 Sponsor: Ellis, Brown
 Requestor: HESS & Finance COMPONENT SERIAL NO. 292

Expenditures/Revenues

(Thousands of Dollars)

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

112

Prepared by: Peter M. Nakamura, M.D., M.P.H., Director
 Division: Public Health

Phone: 465-3090
 Date: _____

Approved by Commissioner: Theodore Mala, M.D., M.P.H., Commissioner
 Agency: Department of Health and Social Services

Date: 3/12/92

Distribution (by preparer):
 Legislative Finance OMB
 Legislative Sponsor Impacted Agency(ies)
 Requestor

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB2

Revision Date: March 16, 1992
Title: An act increasing the excise tax on cigarettes and tobacco products
Sponsor: Reps. Ellis and Brown
Requestor: HS HES

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit
COMPONENT SERIAL NO. 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	4670.0	4670.0	4670.0	4670.0	4670.0	4670.0
FUND SOURCE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0.0

ANALYSIS:

SEE ATTACHED

Prepared By: Paul E. Dick Phone: (907) 465-2320
Division: Income and Excise Audit Date: March 16, 1992
Approved by Commissioner: Darrel J. Rexwinkel Date: 3/16/92
Agency: Department of Revenue

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

Fiscal Note Analysis, CSHB 2
Income and Excise Audit Division
Prepared by Paul Dick
March 16, 1992

CSHB 2 increases excise taxes on cigarettes and tobacco products. This bill increases the additional cigarette tax under AS 43.50.190 from 12 to 18 mills per cigarette, and increases the percentage of tax on tobacco products from 25% to 35% of the wholesale price.

Cigarettes

When added with the base cigarette tax of 2.5 mills under AS 43.50.090, the total cigarette tax under this bill would be 20.5 mills per cigarette (41 cents per pack), versus the current 14.5 mills (29 cents per pack). This would mean a 41% increase from the current cigarette tax rate.

Assuming that the increased tax rate will cause a decrease in the number of cigarettes sold by 10%, cigarette taxes will still increase in FY 93 by \$4.3 million as outlined below:

	<u>FY 91</u>	<u>HB 2</u>
Taxable Cigarettes Sold	1,088,000,000	979,200,000
Cents Per Cigarette*	<u>1.45</u>	<u>2.05</u>
Cigarette Tax	<u>\$15.776.000</u>	<u>\$20.073.600</u>

Our fiscal note assumes that the number of cigarette sold in FY 93 will remain the same through FY 98.

* 1 mill = .1 cent

Tobacco Products

This bill increases the percentage of excise tax on tobacco products from 25% to 35% of the wholesale price of the product. Tobacco products under AS 43.50 includes all forms of tobacco except for cigarettes.

Based on the total wholesale price of tobacco products reported to the Department of Revenue during FY 91 of \$3.7 million, this bill would increase revenues by \$370,000 per year assuming the rate of tobacco usage remains the same as FY 91.

Summary

The total increase in revenues for both cigarettes (\$4.3 million) and tobacco products (\$370,000) as a result of this bill is estimated to be \$4,670,000.

CS FOR HOUSE BILL NO. 2 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 3/20/92

Referred: Finance

Sponsor(s): REPRESENTATIVES ELLIS, Brown

A BILL

FOR AN ACT ENTITLED

1 "An Act increasing the excise tax on cigarettes and on tobacco products whose tax is
2 calculated based on wholesale price."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 43.50.190(a) is amended to read:

5 (a) There is levied an excise tax of 18 [12] mills on each cigarette imported or acquired
6 in this state.

7 * Sec. 2. AS 43.50.300 is amended to read:

8 Sec. 43.50.300. EXCISE TAX LEVIED. An excise tax is levied on tobacco products
9 in the state at the rate of 35 [25] percent of the wholesale price of the tobacco products. The tax
10 is levied when a person

11 (1) brings, or causes to be brought, a tobacco product into the state from outside
12 the state for sale;

13 (2) makes, manufactures, or fabricates a tobacco product in the state for sale in
14 the state; or

1 (3) ships or transports a tobacco product to a retailer in the state for sale by the
2 retailer.

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ALASKA STATE HOUSE



CHAIR
RULES COMMITTEE

JUDICIARY

SPECIAL COMMITTEE ON INTERNATIONAL
TRADE & TOURISM

LEGISLATIVE COUNCIL

REPRESENTATIVE JOHNNY ELLIS

Sponsor Statement HB 2

The House HESS Committee combined the elements of HB 2 and HB 3 into one bill. The legislation simply increases the current tax on smokeless tobacco products from 25 percent of the wholesale price to 35 percent of the wholesale price. The tax on cigarettes will increase from 29 cents a pack to 41 cents a pack. The total amount of new revenue from HB 2 — combining both cigarette and smokeless tobacco taxes — is \$4.67 million.

Why increase taxes on cigarettes and other tobacco products?

1. Good Fiscal Policy — In 1991, tobacco taxes accounted for \$14 million dollars in state revenue. If HB 2 passes, the state revenue generated would be close to \$19 million, which recovers only 23 percent of the costs attributed to smoking deaths in Alaska.

2. Good Health Policy — High costs for the product cause people to cut down or quit — and teenagers are particularly price sensitive. Economic studies show that approximately 1 percent real price increase leads to 1 percent reduction in teenage consumption.

3. Good Politics — Polling shows that where respondents are faced with a choice of various tax increases — cigarettes are the first to be taxed. A June 1990 Wall Street Journal and NBC News poll found that 83 percent of voters would favor increasing alcohol and tobacco taxes *if* the people had to have a tax increase.

The State Department of Health & Social Services has come out in full support of HB 2. Alaska is among the states at highest risk for tobacco and smokeless tobacco products use and their devastating health consequences and economic costs. Alaska is ranked 2nd in the nation for death due to oral and pharynx related cancers and is ranked 3rd in the nation for smoking prevalence rates.

Cancer deaths among Alaska Natives are higher than all other Indian Health Service Areas, and now exceed the U.S. average. Cancer is the leading cause of death for Alaska Native women and ranks third for men, according to Dr. Anne P. Lanier, Epidemiologist for the Alaska Area Native Health Service.



ALASKA CIGARETTE TAXES V. OTHER STATES

Alaska ranks 18th in the nation for rate of state cigarette taxes and ties four states for 12th in the nation in the rate of state smokeless tobacco taxes. If CSHB 2 passes, Alaska would be tied for 3rd highest in the nation for cigarette taxes and would be tied for 7th highest in smokeless tobacco taxes.

CSHB 2 DISCOURAGES YOUNG PEOPLE FROM BECOMING ADDICTED

These additional taxes are found to be most effective in discouraging young people from smoking or chewing tobacco *before* they get addicted. Statistics show that 60 percent of current smokers started by age 14, some 90 percent by age 19. Tobacco companies collect more than \$1.25 billion annually from the sale of their products to minors. A 1989 Alaska study shows that by grade 12, 18 percent of boys and 27 percent of girls were smoking regularly.

According to findings from the federal Office of Technology Assessment, smoking costs employers \$38 billion to \$95 billion per year in the form of lost productivity and health care costs. In 1989 there were 351 smoking attributable deaths in Alaska, with over \$83.2 million in direct and indirect costs; including hospital care, physician services, lost wages, lost earnings, lost productivity, etc.

CSHB 2 IS SUPPORTED BY:

The American Cancer Society
Substance Abuse Directors Association of Alaska
American Lung Association of Alaska
Alaska Native Health Board
Anchorage Municipal Health and Human Services Commission
Alaska Department of Health & Social Services
Alaska State Medical Association
Alaska Nurses Association

...And numerous private doctors and nurses

Thank you for supporting CSHB 2.

Questions and Answers About Taxes

Whenever a cigarette excise tax is proposed or even considered, questions arise over certain issues. Regressivity, crime, smuggling, smokeless tobacco products, declining revenues, and the fate of the tobacco farmer are the topics that arise most frequently. The following responses have been researched to address these issues.

Are tobacco taxes regressive?

Taxes are considered regressive when they fall most heavily on people least able to pay. To the extent that people with lower incomes already smoke more, the cost of cigarettes, with or without a tax, represents a higher portion of their income. The higher smoking rates among the poor mean that the resulting disease and death rates are also higher in this group—the people least able to afford them—than among those with more education and income. Tax increases, rather than seducing people into smoking, help them quit or not begin by raising the price to unaffordable levels. The real burden to the poor comes not only from the cost of tobacco but from the health consequences of addiction to cigarettes.

People who use tobacco, regardless of their income level, also use more health services. The United States Office of Technology Assessment reports that cigarette smoking was responsible for \$22 billion in health

care costs and \$43 billion in lost productivity in the US in 1985. A tobacco tax is more like a user's fee.

Although the costs of growing tobacco and producing cigarettes have declined in recent years, tobacco companies have raised prices to maintain and increase their profits without consideration for their low-income smokers. During the 1980s, US tobacco company profits soared as a result of price hikes, while the number of packages sold declined, from 31.575 billion in 1980 to 26.665 billion in 1989. A package of US cigarettes averaged 61.4¢ in 1980 and \$1.44 by 1988.

Economists have shown that if the

price of cigarettes is too high, fewer children will start to smoke. A 20¢ tax increase is likely to result in 500,000 fewer teenage smokers, according to a 1989 report of the US General Accounting Office. Thus, a cheap tobacco policy means the problem will merely be perpetuated for another generation.

Cigarette taxes that are earmarked for health education, counter-advertising, medical research on tobacco-related diseases, physician payments for low-income patients, and other services actually offer more benefits to the poor (who smoke more and use more of the services of health systems) than to those with higher incomes.

MARGULIES
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Doesn't increasing tax on every package of cigarettes discriminate unfairly against minority smokers?

As smoking has declined among the more affluent and well-educated, tobacco companies have not chosen to recapture this market. Instead, they've gone after women and minorities, populations they consider more likely to succumb to their messages. Higher taxes are a way of offsetting the tobacco industry's recruitment efforts among minorities and women since higher cigarettes prices can discourage smoking.

Will a tax increase cause smuggling?

The tobacco industry plays up the problem of smuggling, as was particularly evident in its unsuccessful effort to prevent the large tobacco tax increase in California. But even with large differences in taxes between states, there are few recent reports of illegal sales across state lines in the United States. For example, in 1988 the tax on cigarettes in New Jersey was 27¢ per pack and that of nearby Virginia only 2.5¢ a pack, a difference of 24.5¢. Yet smuggling between the two states was not considered a problem by the director of the New Jersey Division of Taxation. In fact, the New Jersey legislature upped its tax another 13¢ in July 1990, effectively widening the gap between their state's cigarette taxes and Virginia's.

The federal Contraband Cigarette Act of 1977 made it a federal offense to smuggle cigarettes from state to state and imposed strict bookkeeping requirements on producers and distributors. The law has been extremely effective in stopping over-the-road smuggling, according to a government report published in 1985.

Prominent marking of packages to

show payment of tax and significant penalties for smuggling activities can discourage smuggling. It has also appeared that jurisdictions with high tobacco tax can successfully bring pressure on low-tax neighbors to adjust their tobacco tax policy.

Will an increase in tobacco tax cause more crime?

Tobacco industry advertising during the campaign to raise the cigarette tax in California emphasized that crime would increase because of the smuggling of lower-priced cigarettes from other states. The police would spend so much time chasing cigarette smugglers they wouldn't be able to enforce other laws. The ads showed how an outbreak of gang warfare would begin if the tax were increased. The industry had discovered that fear of crime, especially gang violence, was a cause of concern among California voters and so it attempted to link the tax increase with this concern. However, there has been little evidence of a tobacco-related crime increase in California since the tax rose 250%.

The real crime is the illegal sale of cigarettes to children in many areas. A recent study showed that in the United States, about 3% of tobacco profits—\$221 million in 1988—derived from sales to children, even though selling cigarettes to minors is illegal in 43 states. An increase in the price of cigarettes would reduce illegal sales to children.

Should smokeless tobacco be taxed?

"Smokeless tobacco" refers to moist snuff (finely shredded leaf held in the mouth and then spit out) and chewing tobacco (coarser tobacco which may also be held in the mouth, and is chewed and then spit). "Smoke-

less" is a term the tobacco industry likes because it connotes cleanliness and safety, two qualities lacking in these forms of tobacco, which cause both increased spitting and cancer of the mouth, throat, and neck. Moreover, smokeless forms of tobacco deliver more nicotine than cigarettes and are more addictive than cigarettes.

Use of smokeless tobacco was on the decline in the US but has increased during the past 20 years, mainly among adolescent boys. Although spitting tobacco is no longer advertised on radio or television in the United States, tobacco companies aggressively promote the products, with heavy emphasis on sampling.

Most jurisdictions have not kept up with the increase in use by taxing smokeless tobacco products or raising extremely low existing taxes. Smokeless forms of tobacco are taxed at very low rates nationally in the United States and not at all in a few states and some countries. Yet children are more likely than adults to quit using any form of tobacco after a price increase, possibly because their habits are less ingrained and they have less disposable income. An increased tax would prevent many children from taking up this increasingly popular and dangerous practice.

Won't it cost more to impose a tax on other tobacco products than the tax could bring in?

States in the US that tax other tobacco products have found the administrative costs to be very low. For example, in 1989, the Florida Department of Taxation reported that its administrative expenses for collection of the tax was 0.04% of the revenue collected; Indiana reported costs of 0.28%.

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A tax on other forms of tobacco ends the double standard of taxation of tobacco products and discourages use of smokeless tobacco among the young.

Is a tax on smokeless tobacco products difficult to administer?

The tobacco industry may point to all the different sizes, shapes, and types of containers for smokeless tobacco products to prove that it is impossible to place stamps on these products that show a tax has been paid. Actually, stamps are unnecessary. States tax by taking a percentage of the price of smokeless tobacco products somewhere between manufacturer and market. (See table, page 10.) Based on this method, collecting the tax should not be a problem. An informal survey of tobacco distributors by the Ohio Division of the American Cancer Society found that none had difficulty reporting the tax.

If increased taxes on cigarettes cause fewer people to smoke, won't revenue go down?

The price of a package of cigarettes has the greatest impact on the decision of a child to smoke. Since in most areas, sale of cigarettes to children is illegal anyway, does the state want to make money from illegal sales to them?

Most states have found that a substantial increase in the tax will bring in a proportional increase in revenue even as the number of packages of cigarettes sold declines. Since the decline in number of smokers occurs gradually over time, any drop in tax-generated revenues will also take place slowly.

The prices of cigarettes have increased because tobacco companies

and retailers have taken greater proportions of each dollar of cigarettes sold while governments have seen their percentage of revenue from cigarettes decrease. In 1978, US federal excise taxes accounted for 15% of the price of a pack of cigarettes, while state and local excise taxes made up another 23%. In 1988, federal taxes made up 13% and state and local taxes 14% of the retail price of cigarettes.

What about tobacco farmers? Won't they be displaced if excise taxes reduce cigarette consumption?

In the United States, taxes now go to support farmers who grow tobacco. Earmarked taxes on cigarettes could help the same farmers switch to other crops, as the Tobacco Use in America conferees recommended in 1989.

Tobacco growing has been decreasing steadily in the United States, even before the first Surgeon General's report warned of the dangers of smoking. In 1950, almost 1.6 million acres of tobacco were grown; by 1987, the number of acres had declined to 602,000. This gradual decline means that fewer children of tobacco farmers will follow their parents into tobacco farming, as economist Kenneth Warner has observed, rather than that many current farmers will be immediately displaced.

Although tobacco companies claim to champion tobacco farmers, American cigarettes now contain less domestic tobacco than they did 15 years ago. Tobacco companies have invested money in teaching farmers in other countries, including Brazil and Zimbabwe, how to grow high-quality tobacco, which the companies can buy for less than that grown in the US.

The political base of the tobacco

industry is in tobacco-growing areas, but farmers are not the major recipients of industry wealth. While farmers earned \$1.9 billion for their crop in 1987, the advertising industry received \$2.58 billion that year.

Acknowledgments

Much of the research for these questions and answers was developed by panelists of a seminar on excise taxes at the Countdown 2000 Conference, Sept. 1990, sponsored by Tobacco-Free America. Panelists were Jonathan Ratner, PhD, US General Accounting Office; Michael Dany, Vice President of Programs, Texas Division of the American Cancer Society; Mary Sandberg, Associate Director of Public Issues of the California Division of the ACS; Mary Crane, Legislative/Regulatory Representative of the American Heart Association, Washington, DC; and Susan Schoenmarklin, Director of Governmental Affairs for the Ohio Division of the ACS. Susan Schoenmarklin reviewed the responses and contributed her own research on taxes on smokeless tobacco products. Greg Connolly, DMD, of the Massachusetts Department of Public Health, investigated tobacco industry sales and profits throughout the 1980s. 🌐

Sources

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Boyd GM, Glover E: Smokeless tobacco use by youth in the US. *Journal of School Health* 59:189-194, May 1989.
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FIGURE 1

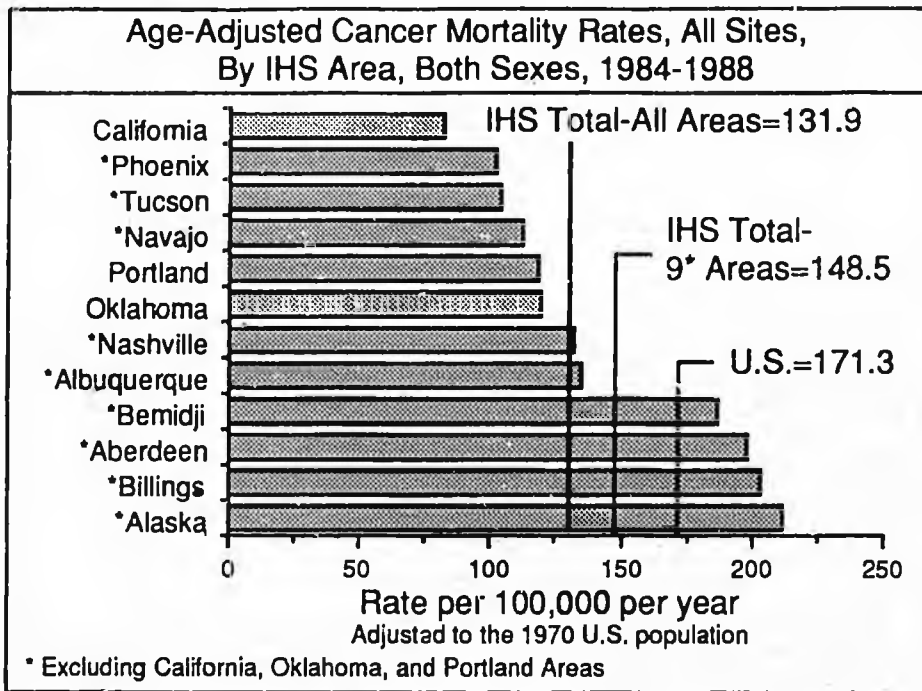


Chart 2

From 1984 to 1988, the age-adjusted cancer mortality rate for both sexes, for all cancers, was 131.9/100,000 for the entire IHS service population. When the 3 IHS Areas with apparent problems in underreporting of Indian race on death certificates are excluded, the rate was 148.5/100,000.

Of the IHS Areas, Alaska and Billings Areas had rates significantly higher than the US rate. The rates for Aberdeen and Bemidji Areas, while higher than the US rate, were not significantly higher. All other IHS Areas had rates significantly lower than the US rate.

Total Number of Deaths and Age-Adjusted Cancer Mortality Rates, All Cancer Sites, by IHS Area, 1984-1988

	Both Sexes		Males		Females	
	N	Rate ¹	N	Rate ¹	N	Rate ¹
U.S. All Races		171.3		218.7		139.5
All IHS Areas	3776	131.9 **	1925	133.9 **	1851	130.1
9* IHS Areas ²	2378	148.5	1182	142.6 **	1196	154.1
Aberdeen*	373	198.3	182	192.9	191	203.5 **
Alaska*	421	211.3 **	220	201.3	201	220.8 **
Albuquerque*	181	135.1 **	99	143.9 **	82	126.7
Bemidji*	237	186.8	133	205.5	104	169.1 **
Billings*	224	202.9 **	112	191.3	112	213.9 **
California	178	81.9 **	100	98.5 **	78	66.1 **
Nashville*	155	132.0 **	74	128.9 **	81	135.0
Navajo*	499	111.8 **	224	95.1 **	275	127.7
Oklahoma	906	118.9 **	489	133.0 **	417	105.4 **
Phoenix*	237	101.6 **	111	95.3 **	126	107.7 **
Portland	314	118.4 **	154	114.1 **	160	122.6
Tucson*	51	103.3 **	27	98.7 **	24	107.8 **

¹ Rate per 100,000 per year adjusted to the 1970 U.S. population. Rates based on small numbers of deaths should be interpreted with caution.

² The 3 IHS Areas without an asterisk (California, Oklahoma, Portland) appear to have a problem with underreporting Indian race on death certificates. Therefore a separate IHS total (9 IHS Areas) is presented excluding these 3 Areas.

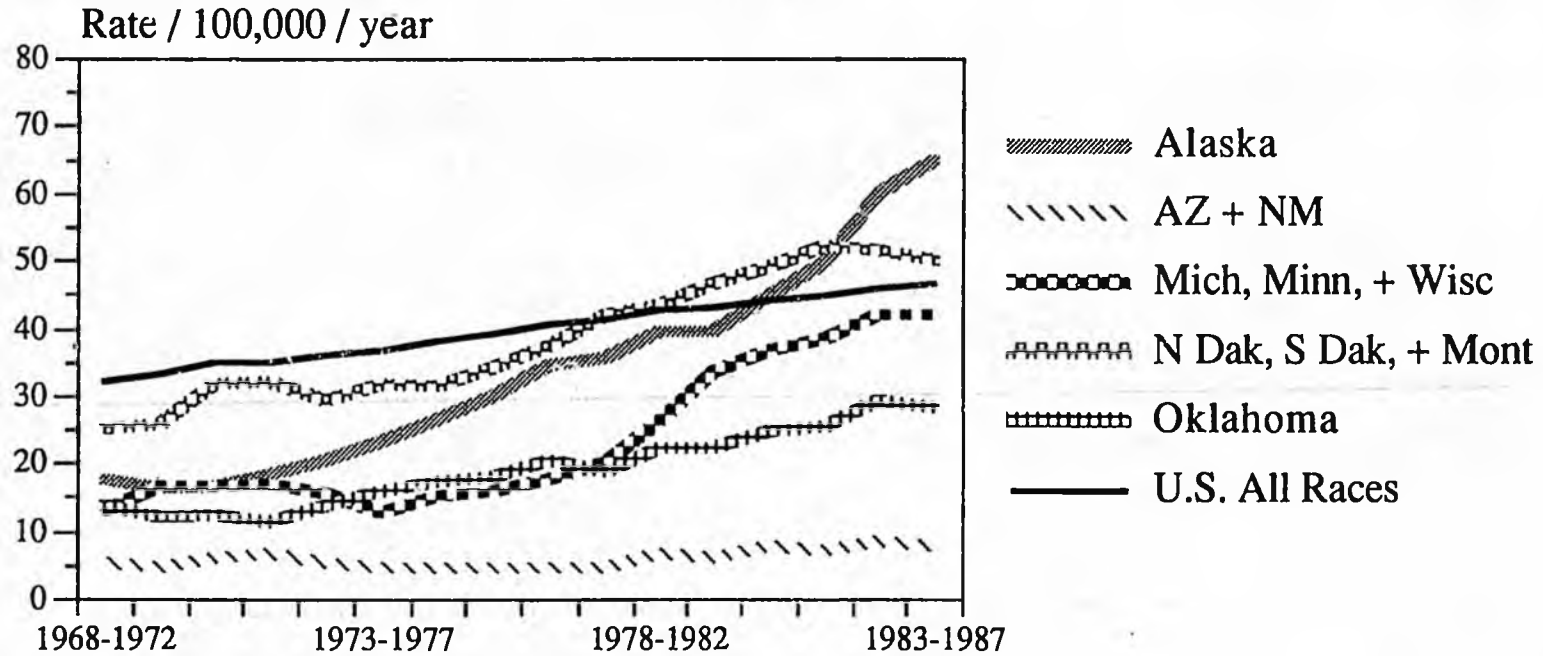
** Denotes a rate significantly different from the U.S. rate.

Table 4 lists the total number of deaths due to all cancers from 1984 to 1988, and the age-adjusted rate per 100,000 population per year by IHS Area, for both sexes combined, males, and females.

Table 4

FIGURE 2

Age-Adjusted Lung Cancer Mortality Rates, Native Americans in Selected States Compared to U.S. All Races, Both Sexes, 1968-1987



Rates, presented in 5-year moving averages, were determined using mid-point population estimates for each 5-year time interval and were adjusted to the 1970 US standard population.

A tax on other forms of tobacco ends the double standard of taxation of tobacco products and discourages use of smokeless tobacco among the young.

Is a tax on smokeless tobacco products difficult to administer?

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Most states have found that a substantial increase in the tax will bring in a proportional increase in revenue even as the number of packages of cigarettes sold declines. Since the decline in number of smokers occurs gradually over time, any drop in tax-generated revenues will also take place slowly.

The prices of cigarettes have increased because tobacco companies

and retailers have taken greater proportions of each dollar of cigarettes sold while governments have seen their percentage of revenue from cigarettes decrease. In 1978, US federal excise taxes accounted for 15% of the price of a pack of cigarettes, while state and local excise taxes made up another 23%. In 1988, federal taxes made up 13% and state and local taxes 14% of the retail price of cigarettes.

What about tobacco farmers? Won't they be displaced if excise taxes reduce cigarette consumption?

In the United States, taxes now go to support farmers who grow tobacco. Earmarked taxes on cigarettes could help the same farmers switch to other crops, as the Tobacco Use in America conferees recommended in 1989.

Tobacco growing has been decreasing steadily in the United States, even before the first Surgeon General's report warned of the dangers of smoking. In 1950, almost 1.6 million acres of tobacco were grown; by 1987, the number of acres had declined to 602,000. This gradual decline means that fewer children of tobacco farmers will follow their parents into tobacco farming, as economist Kenneth Warner has observed, rather than that many current farmers will be immediately displaced.

Although tobacco companies claim to champion tobacco farmers, American cigarettes now contain less domestic tobacco than they did 15 years ago. Tobacco companies have invested money in teaching farmers in other countries, including Brazil and Zimbabwe, how to grow high-quality tobacco, which the companies can buy for less than that grown in the US.

The political base of the tobacco

industry is in tobacco-growing areas, but farmers are not the major recipients of industry wealth. While farmers earned \$1.9 billion for their crop in 1987, the advertising industry received \$2.58 billion that year.

Acknowledgments

Much of the research for these questions and answers was developed by panelists of a seminar on excise taxes at the Countdown 2000 Conference, Sept. 1990, sponsored by Tobacco-Free America. Panelists were Jonathan Ratner, PhD, US General Accounting Office; Michael Dany, Vice President of Programs, Texas Division of the American Cancer Society; Mery Sandberg, Associate Director of Public Issues of the California Division of the ACS; Mary Crane, Legislative/Regulatory Representative of the American Heart Association, Washington, DC; and Susan Schoenmarklin, Director of Governmental Affairs for the Ohio Division of the ACS. Susan Schoenmarklin reviewed the responses and contributed her own research on taxes on smokeless tobacco products. Greg Connolly, DMD, of the Massachusetts Department of Public Health, investigated tobacco industry sales and profits throughout the 1980s. 🌐

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Smoke Screens: Why You Should Limit Smoking In The Workplace

Since the early 1980s, smoking has become less and less acceptable in public places. Today, nearly one-third of American companies have either banned or limited smoking in the workplace.

Following are some good reasons to implement a no-smoking policy in your company:

1. Reduced illness and death rates among smokers. Smoking accounts for more than one in six deaths in the U.S. today. Smokers are nearly three times more likely to suffer a stroke, the third leading cause of death in the U.S. Smokers are more than 1,000 times more likely to die of lung cancer than non-smokers. And they are 200 percent more likely to die of heart

These statistics are bad news not only for smokers, but for their employers as well. Smoking causes 80 million lost work days a year, which costs employers between \$300 and \$6,000 a year per smoker. The Office of Technology Assessment determined that smoking cost employers \$38 to \$95 billion a year in the form of lost productivity and health care costs.

Smoking makes a big difference in your group medical insurance rates. If you have a workforce that's predominantly composed of smokers, your claims experience will probably be much worse than that of a similar company whose workers don't smoke. Bad claims experience lead to higher group insurance premiums.

2. Reduced illness rates among non-smokers. There's been a lot of publicity lately about the dangers of "second-hand smoke" Unfortunately, these dangers aren't exaggerated. Non-smokers may actually be exposed to twice as much tar and nicotine as smokers, since "environmental" smoke, or the combination of smoke from burning tobacco and exhaled smoke, contains twice as much of these dangerous chemicals as inhaled smoke.

Environmental smoke irritates the eyes, nose, and throat. It may also raise blood pressure and heartbeat and contribute to such diseases as lung and throat cancer, emphysema, bronchitis, and stroke. In addition, employees who are exposed to combustible or

experience increased illness and disease when environmental smoke is also present.

3. Improved morale. Because smoking is so irritating to many non-smokers, production may actually suffer in smoky conditions.

4. Reduced accident rates. Employees who smoke have twice as many job-related accidents as non-smokers. Perhaps the act of smoking distracts smokers from their jobs.

5. Improved safety. Carelessly disposed cigarettes or falling ashes often trigger fires or property damages, such as burnt carpeting.



Anne Lanier, M.D., M.P.H.
Alaska Area Native Health Service
Epidemiologist

Alaska Area has the highest cancer mortality rates in IHS

Lung cancer is caused by cigarette smoking and, therefore, preventable.

Also, lung cancer is almost always at an advanced stage when diagnosed and few patients can be treated and cured.

In addition to Alaska, three other northern IHS areas (Billings, Aberdeen, and Bemidji) have high cancer rates and again primarily because of the lung cancer problem.

Examination of trends in lung cancer over twenty years (see Figure 2) show rates for lung cancer rising rapidly, particularly in women.

Cancer death rates, largely due to the patterns in lung cancer, can be predicted to continue to get worse in the Alaska Area in the foreseeable future.

The full cancer report has been mailed to all regional health directors. If you have any questions or wish additional copies, please contact:

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Cancer mortality rates in the Alaska Area Native Health Service are now higher than all other Indian Health Service areas and now exceed those of the general United States population.

Alaska's ranking as Number One is of great concern, but particularly remarkable since as recently as 30 to 40 years ago, it was commonly thought that cancer occurred rarely in indigenous northern populations.

Evidence of this new epidemic is well documented in a report released by Martin J. Kleeen, M.D., Director, Cancer Prevention and Control, IHS Headquarters West, Albuquerque, New Mexico.

The data were analyzed and compiled primarily by Sarah Valway, D.V.D., MPH, utilizing 1984-88 death certificates for American Indians/Alaska Natives in all twelve IHS areas and for 1968-77 in five areas to examine trends over time.

For all cancers in men and women, death rates for Alaska Natives are the highest of all IHS areas and exceed the U. S. average (Figure 1).

Lung cancer is the leading cause of cancer death in men and women. This fact is particularly tragic since