

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

9048 SENATE STATE AFFAIRS

Dear Senators and Representatives,

Enclosed you will find the signatures of the Homer South Peninsula Hospital Service Area Board, South Peninsula Hospital Operating Board, and South Peninsula Hospital Medical Professional Staff. These resolutions voice a strong support for ^{House} Bill 431. As you will read, it is a health issue that effects everyone in Alaska. We have some of the most astounding statistics when it comes to smoking-related disease. Please consider this bill, not for political reasons, but for the sake of our children's health and future. Listen to the voices of the people. It is the majority of Alaskans that support this tax.



Kim Greer RN
Tobacco Prevention & Education Alliance
c/o South Peninsula Hospital
4300 Bartlett St
Homer, Alaska 99603
235-0227

SOUTH PENINSULA HOSPITAL

4300 BARTLETT • HOMER, ALASKA 99603 • (907) 235-8101

- Whereas, tobacco is the leading cause of preventable death in the country;
- Whereas, tobacco kills 1 out of 5 Alaskans.
- Whereas, Alaska has the 28th lowest state tobacco excise tax but ranks sixth among smoking rates in the country.
- Whereas, eighty-four percent of Alaskan adult smokers started smoking between the ages of 10 and 20.
- Whereas, fifty-four percent of high school males have used smokeless tobacco.
- Whereas, smokeless tobacco causes cancers of the gums, mouth, pharynx, larynx, and esophagus.
- Whereas, direct health costs associated with smoking-related diseases burdened the Alaskan economy by 45.6 million in 1991;
- Whereas, smokers use 50% more sick leave and use the health care system 50% more than non-smokers.
- Whereas, Alaskan Natives suffer disproportionately from the burden of tobacco addiction and illness;
- Whereas, low income populations benefit greatly from reduced smoking rates by freeing wage earners from disease and decreasing the economic burden of illness;
- Whereas, higher tobacco prices have proven effective in reducing tobacco consumption particularly among youth;
- Whereas, it is the responsibility of the state government of Alaska to do everything in its power to blunt the negative impact of tobacco on the health of our citizens;
- Therefore, be it resolved that the South Peninsula Hospital Medical Professional Staff supports a significant increase in the Alaska state excise tax on cigarettes and on other tobacco products.

Eneboe M.D., Chief of Staff

Bill Bell M.D.

Hal Smith M.D.

Paul Raymond M.D.

Giulio Tortora M.D.

Rene' Alvarez M.D.

Paul Sayer M.D.

Larry Reynolds M.D.

George McAnelly M.D.

Larry Marshburn M.D.

Thomas Wells, M.D.

Clancey Hughes, M.D.
Guest Physician

SOUTH PENINSULA HOSPITAL

4300 BARTLETT • HOMER, ALASKA 99603 • (907) 235-8101

Whereas, tobacco kills over 400,000 Americans each year, more than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine combined,

Whereas, children and teenagers nationwide constitute 90% of all new smokers,

Whereas, smokers have twice as many job-related accidents, 50% more sick leave and use the health care system 50% more than non-smokers,

Whereas, Alaska has the sixth highest rate of smoking, and the sixth highest rate of smoking-related death in the U.S.

Whereas, smoking-related death and disease cost the Alaska economy \$127.6 MILLION DOLLARS in 1991,

Whereas, 84% of Alaskan adult smokers started smoking between the ages of 10 & 20,

Whereas, approximately one-third of all children who become smokers will eventually die from smoking related diseases,

Whereas, higher tobacco prices have proven effective in reducing tobacco consumption, particularly among youth;

Whereas, the United States has the lowest cigarette taxes of any developed nation in the world;

Therefore: be it resolved that South Peninsula Hospital Service Area Board of Directors encourages the Alaska state legislature to enact a significantly higher state excise tax on cigarettes and other tobacco products, and calls upon all health care providers to join in supporting these efforts and activities to help prevent tobacco consumption among Alaska's youth.

SOUTH PENINSULA HOSPITAL SERVICE AREA BOARD



Chairperson

ATTEST:



(Vice-Chair)

SOUTH PENINSULA HOSPITAL

4300 BARTLETT • HOMER, ALASKA 99603 • (907) 235-8101

Whereas, tobacco kills over 400,000 Americans each year, more than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine combined;

Whereas, children and teenagers nationwide constitute 90% of all new smokers;

Whereas, smokers have twice as many job-related accidents, 50% more sick leave and use the health care system 50% more than non-smokers;

Whereas, Alaska has the sixth highest rate of smoking, and the sixth highest rate of smoking-related death in the U.S.

Whereas, smoking-related death and disease cost the Alaska economy \$127.6 MILLION DOLLARS in 1991;

Whereas, 84% of Alaskan adult smokers started smoking between the ages of 10 & 20;


Whereas, approximately one-third of all children who become smokers will eventually die from smoking related diseases;

Whereas, higher tobacco prices have proven effective in reducing tobacco consumption, particularly among youth;

Whereas, the United States has the lowest cigarette taxes of any developed nation in the world;

Therefore: be it resolved that South Peninsula Hospital Inc. Operating Board of Directors encourages the Alaska state legislature to enact a significantly higher state excise tax on cigarettes and other tobacco products, and calls upon all health care providers to join in supporting these efforts and activities to help prevent tobacco consumption among Alaska's youth.

SOUTH PENINSULA HOSPITAL, INC.


Chairperson

ATTEST


(Vice-Chair)



Alaska Native Health Board

1345 Rudakof Circle, Suite 206
Anchorage, Alaska 99508-6105

Phone: (907) 337-0028
FAX: (907) 333-2001

January 24, 1996

The Honorable Bert Sharp
The Alaska Senate
Post Office Box V
Juneau, Alaska 99811

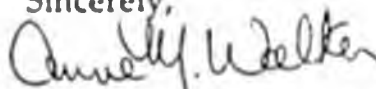
Dear Senator Sharp:

I am writing on behalf of the Alaska Native Health Board to urge you to support legislation to enact major increases in state tobacco tax rates. This goal is ANHB's number one state legislative priority for FY 1997.

Alaska Native people are hard hit by tobacco use. A recent DHSS bulletin reports that smoking kills one out of five Alaskans, and that Alaska Natives account for 23.2% of the smoking-related deaths, even though our people comprise only 16.5% of the state's population. Diseases caused by tobacco use result in tragedy for individuals and families and place a tremendous drain on health care resources.

Although some will argue that tobacco taxes are regressive, we believe that the potential benefit far outweighs the harm. Research has shown that a major tobacco tax increase is the single most effective way to reduce tobacco consumption, especially among kids. The National Cancer Institute has said that "increasing tobacco excise taxes must be considered an essential and primary component of any comprehensive tobacco control program."

We urge you not to let the tobacco tax question get mired in debate about how to deal with the fiscal gap. A major increase in tobacco taxes would be justified even if there was no fiscal gap. The Alaska Constitution states that "the legislature shall provide for the promotion and protection of public health." We hope you will take this commitment seriously and increase tobacco taxes as a way to reduce the leading cause of death in Alaska.

Sincerely,


Anne M. Walker
Executive Director

ALEUTIAN PEBLIP ISLANDS ASSOCIATION
BRISTOL BAY AREA HEALTH CORPORATION
CHUGACHMIUT
COPPER RIVER NATIVE ASSOCIATION

KODIAK AREA NATIVE ASSOCIATION
MAMILAQ ASSOCIATION
METLAPATLA INDIAN COMMUNITY
NORTH SLOPE BOROUGH
NORTON SOUND HEALTH CORPORATION

SOUTHCENTRAL FOUNDATION
SOUTHEAST ALASKA REGIONAL HEALTH COUNCIL
TANANA CHIEFS CONFERENCE
YUKON-KUSKOKWIM HEALTH CORPORATION

Knowles proposes tax hike

Tobacco, alcohol levies would soar

By RALPH THOMAS
Daily News reporter

JUNEAU — Alaskans would pay the nation's highest "sin taxes" on tobacco and alcohol under proposals by Gov. Tony Knowles and others to help balance the state budget.

If the proposals become law, the state tax on each pack of cigarettes would soar from 29 cents to \$1.29 and the tax on chewing tobacco would quadruple. The taxes on wine and beer would more than triple to about 10 cents for a bottle of beer or glass of wine. For hard liquor, the tax would grow by more than 50 percent to about 7 cents for a mixed drink.

Heeding advice from a bipartisan budget commission, Knowles recently proposed the tax hikes as part of the first step in closing the state's so-called "fiscal gap" — a perennial budget shortfall expected to top \$500 million next year. Along with a 14-cents-a-gallon fuel-tax hike that Knowles is proposing, the increases would raise an

SIN TAX: Knowles follows revenue advice

Continued from Page A-1

estimated \$100 million a year.

But Knowles and others contend raising taxes on tobacco and alcohol will do more than just help fix the budget. They say higher taxes will reduce tobacco and alcohol use, especially among teenagers. Anti-smoking groups predict a \$1-a-pack increase in the cost of cigarettes would reduce teen smoking by more than a third.

"We call them health taxes," said Anne Marie Holen, who runs an anti-smoking program for the Alaska Native Health Board.

Tobacco industry officials say the tax hikes will not have the health benefits proponents predict. And liquor industry representatives argue that only a small percentage of drinkers abuse alcohol.

"It seems unfair to punish the vast majority of people for problems created by a small minority," said Bob Esterling, president of the Alaska Wine and Spirits Wholesalers Association.

The alcohol and tobacco tax increases were originally proposed by the Long Range Financial Planning

Commission, a panel Knowles and the legislature's Republican leaders appointed last year to find solutions to the fiscal gap.

GOP leaders had initially balked at introducing legislation to implement the commission's tax increases, arguing the Democratic governor should have to sponsor the measures himself. But House Speaker Gall Phillips said Friday the Legislature would introduce the tax-hike bills today.

Getting the increases into law, however, will be no easy feat for Knowles. The tobacco and alcohol industries have hired at least eight lobbyists in Juneau. And Republican lawmakers have all but ruled out any new or increased taxes until state spending has been sharply reduced.

The tobacco industry contributed \$28,600 to state candidates in the last election cycle, while liquor interests donated almost \$78,000, according to candidate reports compiled by the Daily News.

The proposed tobacco and alcohol-tax increases would put Alaska's rates far above the rest of the states. That's especially true for the cigarette tax, which would jump nearly

50 cents per pack above Washington state's rate, currently the nation's highest.

Anchorage voters last year overwhelmingly agreed to increase the local tobacco tax, but rejected a proposed alcohol tax hike. And some Republicans predict that, if the Legislature approves any tax increases, it will be on tobacco.

"Because of the health aspects, it's probably the one that sells the most easily," said Senate President Drue Pearce, R-Anchorage, who accepted \$2,500 in tobacco contributions in 1993 and 1994.

Alaskans are among the heaviest smokers in the country, according to state and federal statistics. In a recent report, state health

Please see Back Page, SIN TAX

of budget balancing commission

officials said more than one in four adults smoke in Alaska and 20 percent of all deaths in the state during the past two years were "smoking related." The rates are even higher for Alaska Natives.

"Each year, smoking kills more Alaskans than AIDS, aircraft crashes, alcohol, falls, fires, firearms and motor vehicle crashes combined," the report said.

Several health groups, including the Alaska chapters of the American Lung Association and the American Cancer Society, have teamed up with the Alaska Native Health Board to push the tobacco-tax increase.

The groups are armed with studies that show how increased tobacco tax-

es have dramatically reduced smoking — especially among teenagers — in other states and countries. In Canada, for instance, where higher taxes increased the price of tobacco by 158 percent over 12 years, teenage smoking dropped by two-thirds, according to the American Cancer Society. However, organized cigarette smuggling became a significant problem for authorities.

"There's probably no other measure the Legislature could pass that would do more to improve the health of Alaskans," Holen said.

Tobacco industry officials don't dispute that higher taxes will lower teen smoking, but say the drop will be nowhere near

what proponents predict.

"You have to realize, these are kids who will pay 15 bucks for a CD and 100 bucks for a pair of tennis shoes," said Walker Merryman, vice president of The Tobacco Institute in Washington, D.C. "I'm not sure an extra buck a pack is going to stop them from smoking."

The best way to combat teen smoking enforce laws already on the books that prohibit cigarette sales to minors, Merryman said.

Rep. Mark Hanley, R-Anchorage, agreed.

"I think taxes generally are to raise revenue, not affect social behavior," said Hanley, who accepted \$700 in contributions from Phillip Morris in 1993 and 1994.

But, in his annual budget speech to the Legislature earlier this month, Knowles made it clear his proposed tobacco tax increase was aimed as much at reducing teen smoking as at closing the fiscal gap.

"Although it's projected to generate \$42 million, frankly, I hope this proposal doesn't raise a single dollar," said Knowles, who didn't get any tobacco money for his election, but received nearly \$16,500 from liquor interests.

New taxes not the answer

I could believe the headline, "Fiscal crisis real, say top businessmen," on the front page of the Daily News (Jan. 17). But I could not believe what I read in the article.

This coalition of business leaders (Alaskans for a Plan) plans to spend nearly \$800,000 on a statewide television, radio and newspaper advertising blitz to convince the Alaska public that they need to tolerate a new tax and smaller dividends in order to avoid a financial abyss.

I do not know what kind of business these leaders run, but it must be a state-funded business. If I owned a business (which I do not, because I am taxed so heavily I can't afford to start one), the last thing I would want to do is have the people taxed more, which would reduce their buying power.

Companies, especially in today's business climate, do not invest in anything that will not benefit the companies. This leads me to believe that these companies went to the state and made a deal something like this: If we convince the people of this state to accept new taxes and reduced dividends, will you leave us alone and possibly reduce our taxes? And the state said yes!

Don't get me wrong; I believe companies should have tax breaks as incentive to invest and produce jobs.

If these business leaders want the politicians in Juneau to fix the so-called "fiscal gap" without fearing for their political necks next fall, they should be convincing the politicians to cut wasteful spending, not convincing the Alaska public to accept new taxes.

— Doug Vaughn
Anchorage

ALASKA TOBACCO CONTROL ALLIANCE

Post Office Box 110614

Juneau, AK 99811-0614 • 907/465-3140 Fax: 465-2770

Alaska Tobacco Control Alliance

Resolution to Support an Increase in the Tobacco Tax

STEERING COMMITTEE:

Alaska Black Caucus

Alaska Dental Society

Alaska Health Fair, Inc.

Alaska Native Health Board

Alaska Pharmaceutical
Association

Alaska Public Health Association

Alaska State Medical Association

Alaskans for Drug Free Youth

American Lung Association of
Alaska

Anchorage School District

Bristol Bay Area Health
Corporation

K. D. Consulting

Municipality of Anchorage,
Department of Health and
Human Services

Nome Community Center/
Young Teen Center

Rural Alaska Community Action
Program

Sitka Teen Resource Center

State of Alaska Department of
Health and Social Services:
Division of Alcohol and Drug
Abuse, Division of Public
Health, Section of Community
Health Services, Section of
Epidemiology

Tanana Chiefs Conference, Inc.

Yukon-Kuskokwim Health Corporation,
Health Education Department

• Whereas tobacco kills far more Americans each year than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine combined;

• Whereas tobacco is the leading cause of preventable death in the country;

• Whereas 3,000 children become regular smokers each and every day;

• Whereas 73% of daily teen smokers who think they won't be smoking in 5 years are still smoking 5 years later;

• Whereas 84% of Alaska adult smokers started smoking between the ages of 10 and 20;

• Whereas tobacco kills 1 out of 5 Alaskans;

• Whereas Alaskan Natives suffer disproportionately from the burden of tobacco addiction and illness;

• Whereas it is the responsibility of the State of Alaska to do everything in its power to blunt the negative impact of tobacco on the health of our citizens;

• Whereas smoking-related death and disease cost each Alaskan \$220 in 1991;

• Whereas smoking-related death and disease cost the Alaska economy \$127.6 MILLION DOLLARS in 1991;

• Therefore be it resolved that The Alaska Tobacco Control Alliance calls upon the Alaska Legislature to enact a significantly higher state excise tax on all forms of tobacco, and to ensure that this higher tax rate is regularly increased to keep pace with inflation.

ALASKA TOBACCO CONTROL ALLIANCE

A \$1 per pack increase in the state cigarette tax?

Public Opinion Poll Results

December 14, 1995 - January 20, 1996

- Alaska's state budget is about five hundred million dollars larger than the revenue it will take in this year. Most of this revenue is from oil and gas taxes. People have different views about how to deal with this fiscal gap. Do you think the fiscal gap can be closed only with spending cuts, or do you think the fiscal gap can be closed only with a mix of spending cuts and new revenue sources?

Spending Cuts	16%
Spending Cuts and Revenue Sources	72%

- Now, I would like to turn to tobacco taxes. The current Alaska state tax is 29 cents per pack of cigarettes. In general, do you favor or oppose increasing Alaska's tobacco taxes by one dollar per pack to help close the state's fiscal gap?

Strongly Favor	49%
Somewhat Favor	25%
Somewhat Oppose	5%
Strongly Oppose	16%

- If it was proven that a large cigarette price increase prevents or reduces smoking among children and teenagers, would you favor or oppose raising the state tax by one dollar per pack?

Strongly Favor	71%
Somewhat Favor	15%
Somewhat Oppose	9%
Strongly Oppose	3%

- Do you generally favor taxing other tobacco products, such as chewing tobacco, snuff, and cigars, at a higher rate than cigarettes, about the same rate as cigarettes, or at a lower rate than cigarettes?

Higher Rate	8%
Same Rate	83%
Lower Rate	5%

- I want to get your final opinion, even if it is different from the opinions you expressed earlier. All things considered, do you favor or oppose increasing Alaska's tobacco taxes by one dollar per pack?

Strongly Favor	58%
Somewhat Favor	15%
Somewhat Oppose	7%
Strongly Oppose	18%

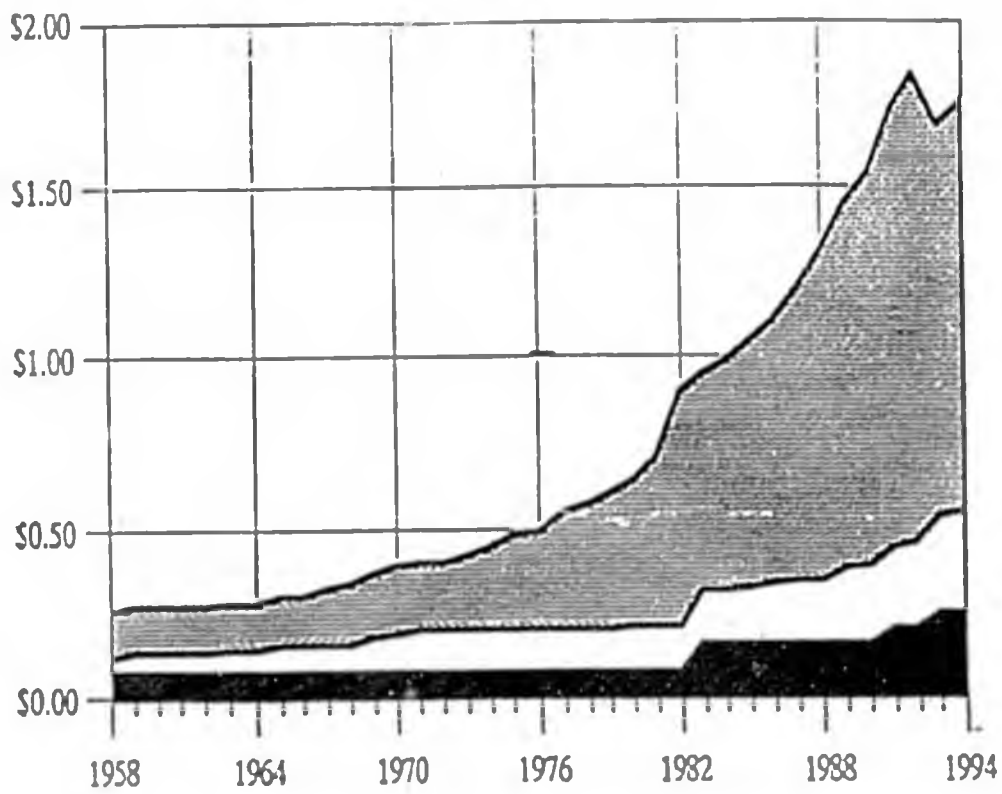
These data are based on preliminary analysis of the results of the Alaska Smokeless States Survey, a telephone survey of a representative sample of 820 Alaska residents 18 and older conducted from December 14, 1995 through January 20, 1996. The survey was conducted using a single-stage, list-assisted random-digit-dialing stratified sample design. One adult was selected to be interviewed within each household. The survey concerned public attitudes toward the state's budget gap and tobacco policy issues. The margin of sampling error (95% sampling interval) for statewide estimates made for all residents is no more than plus or minus 4.3 percentage points. The survey was conducted by Mathematica Policy Research, Inc. in Princeton, New Jersey, under contract with the Robert Wood Johnson Foundation.

BACKGROUND

Graph 2

TOBACCO PRICES & TAXES
UNITED STATES 1958 - 1994

Nominal Terms



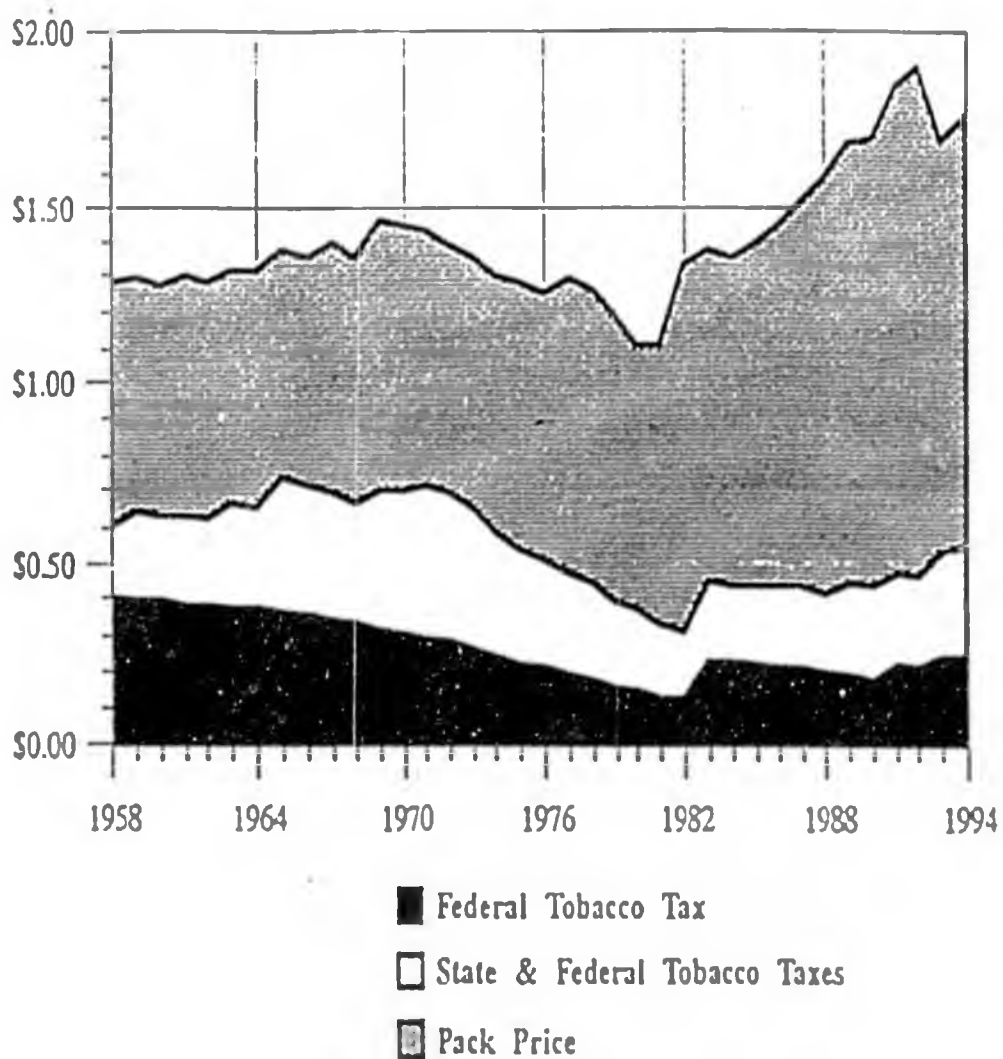
- Federal Tobacco Tax
- State & Federal Tobacco Taxes
- ▨ Pack Price

Source: THE TAX BURDEN ON TOBACCO, Historical Compilation, volume 29, 1994, The Tobacco Institute, Washington DC.

Graph 3

TOBACCO PRICES & TAXES
UNITED STATES 1958 - 1994

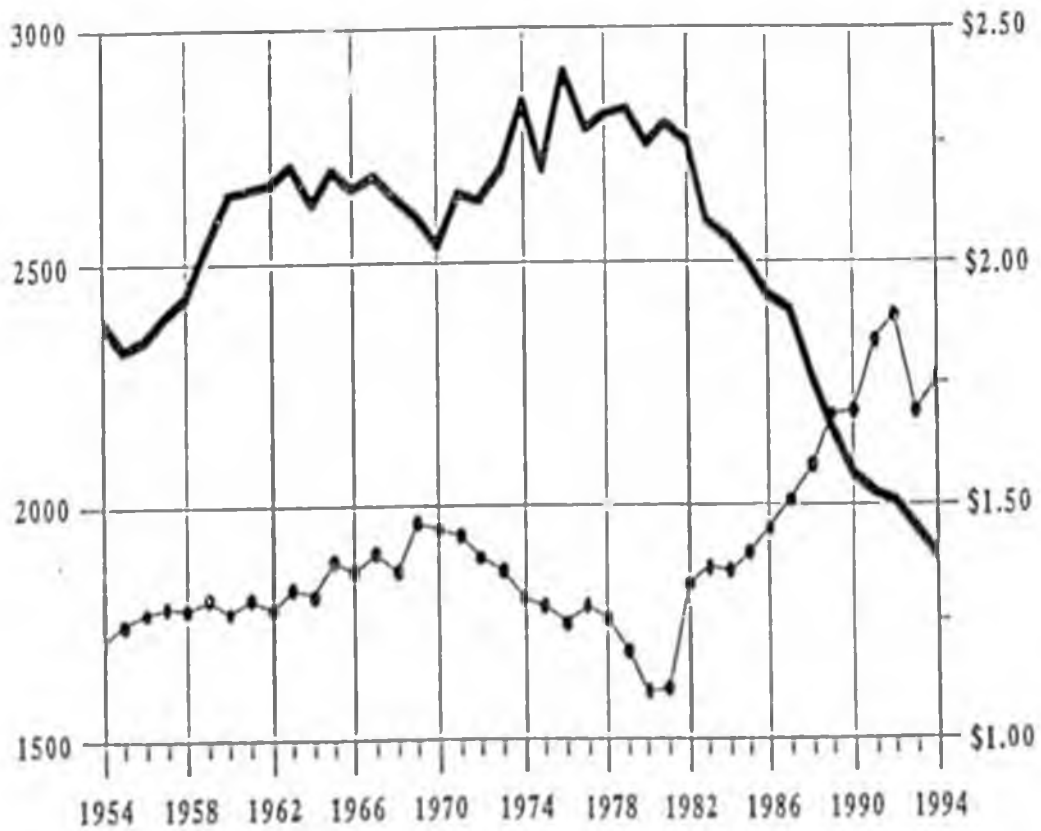
Real Terms



Source: THE TAX BURDEN ON TOBACCO, Historical Compilation, volume 29, 1994, The Tobacco Institute, Washington DC.

Graph 1

ANNUAL PER CAPITA CONSUMPTION OF CIGARETTES
AND REAL PRICE OF TOBACCO (per 20 cigarettes)
UNITED STATES 1954 - 1994

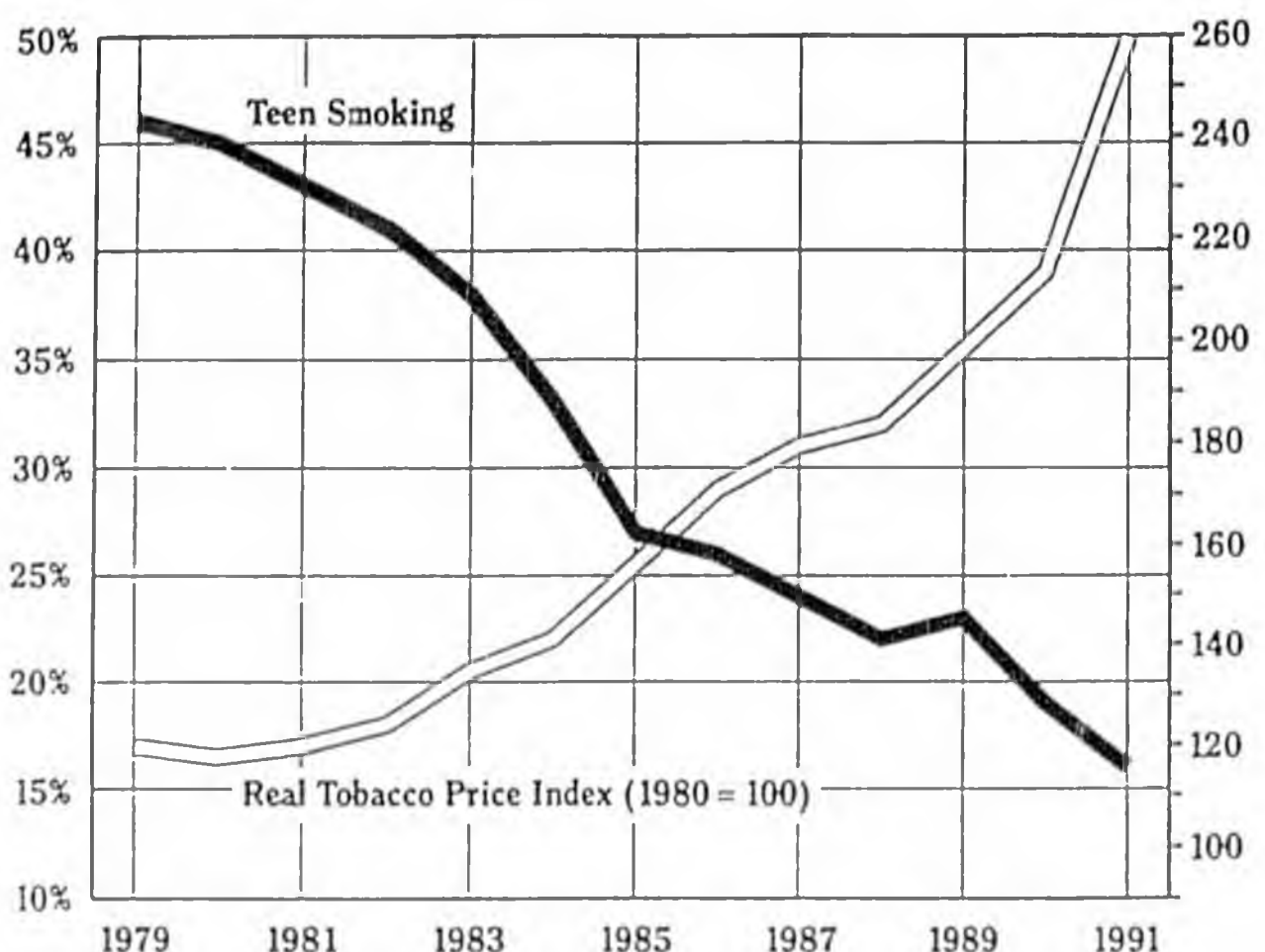


— Annual per capita consumption ◆ Real Price of Tobacco (1994 dollars)

Sources: The Tax Burden On Tobacco, published by The Tobacco Institute, Washington, DC, vol. 29, 1994.

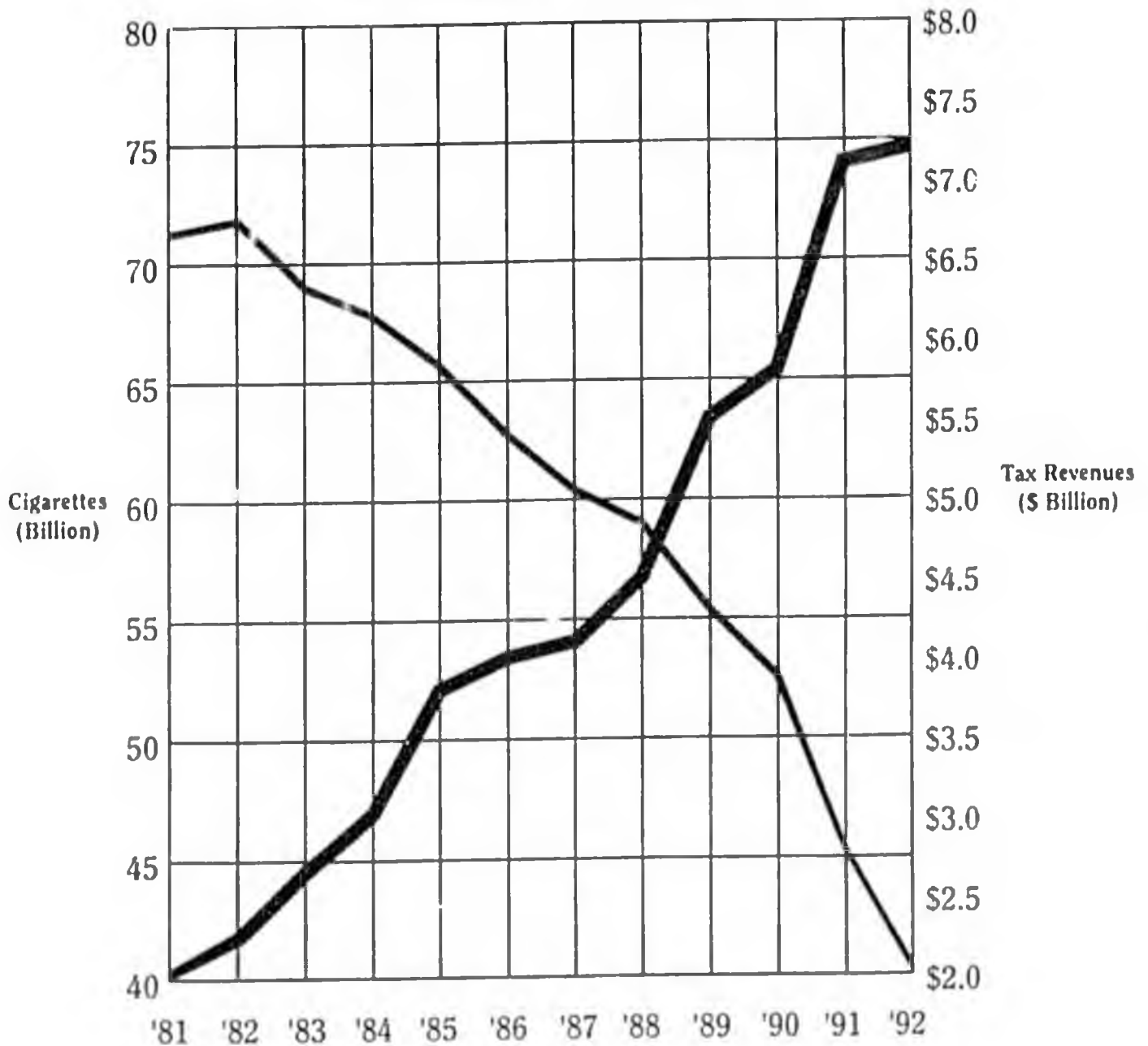
U.S. Bureau of Labor Statistics, CPI (all items).

Figure 1: Real cigarette prices and cigarette smoking among Canadians age 15 to 19



Source: Statistics Canada, Labour Force Survey, 1991; Canadians and Smoking: An Update. Health and Welfare, Canada, 1991.

Figure 1. Sales of Cigarettes Versus Tobacco Tax Revenue Canada 1981-1992



— Domestic Sales of Cigarettes and Fine-Cut Equivalents (1 g)
— Total Tax Revenues

Sources: 1. Statistics Canada, Catalogue 32-022 Monthly.
2. Department of Revenue, Government of Canada.

Dear Senator Sharp,

It looks like they are at it again. Rather than creating a new batch of penalties for the citizenry, I feel there is more that should either not be done or needs to be undone in our State. The following is one such topic:

Most if not all States have a State Motto. Such as Texas: "Don't Tread on Me", Missouri: The "Show Me" State etc. The most appropriate Motto for the State of Alaska, appropriate for licence plates and other public display would be: "The Mother State" as in: "Mother knows best", "Don't do that, it isn't good for you", "When you grow up you will thank me for stopping you".

I am talking about regulations and laws that seek to control what some, (not all), see as inappropriate behavior. For example: A substantial number of people smoke. Yet we are in a frenzy to pass laws and create regulations that interfere with that choice that they have made and continue to make. I can readily imagine the self satisfied smirk of those that see the huddled clusters of smokers outside their workplace in the rain or cold. I am not sure the quantity of smokers are even properly classed as a minority other than that they are slightly less than 50% of the population. I do not smoke. I did for many years, quit 12 years ago and do not believe that story that it is an addiction. Anyone that wants to quit certainly can. It is a choice they make and it is not the business of government to decide for them or penalize them with silly regulations that only harass or taxes that inflict real financial harm. We might benefit from observing what happened when Canada raised the cigarette taxes to \$4 per pack. It has turned them into a nation of smugglers.

Alcohol now carries taxes so far in excess of its cost that there is no longer any price value relationship. Our do gooder claue now proposes to further tax this commodity on the basis that they believe the money of the thing matters. In some areas of the Alaska Bush a bottle of \$10 whiskey goes for over a hundred and does not want for takers. Bootleg liquor is a major business in this state and you could raise the price as much as you want without having the least effect on consumption except among those to whom alcohol has little attraction.

We are not talking about moral questions here. We are talking about choices individual citizens have made about how they want to live their lives. What is next? Will these people controllers who know so much decide to ban butter? Or potato chips? Or Chinese food? Or automobiles so that we will all get healthy exercise walking to work? There is a principle here. Once you begin regulating behavior in this fashion it becomes only a matter of degree.

Cordially,

Howard L. Axtell
991 Bennett Road
Fairbanks, Alaska 99712

TOBACCO TAX INDEX

- I. State of Alaska Bulletin
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- IV. Tobacco Tax Quotes
- V. Gains From Alaska's \$1 Cigarette Tax Increase
- VI. Tax will Raise \$100 Million in the 1st Three Years
- VII. World Smoking & Health
- VIII. A Tax That's Good for You
- IX. Youth who smoke
- X. The Almanac-Teen Smoking



Department of Health and Social Services
Karen Perdue, Commissioner
3501 C Street, Suite 576, P. O. Box 240249, Anchorage, Alaska 99524-0249 (907) 581-4400

Division of Public Health
Peter M. Nakamura, MD, MPH Director

Section of Epidemiology
John Middaugh, MD, Editor
Bulletin No. 1 January 12, 1998

Smoking Related Mortality in Alaska: 1992-94

Cigarette Smoking in Alaska

Alaska has one of the highest smoking prevalence rates in the United States. Alaska's smoking rates are similar to those found in Nevada and in the tobacco-growing states¹. Alaska Natives have even higher smoking rates (Table 1). The highest smoking prevalence is found in the Bush region, and the lowest in the Urban region (Figure 1).

Table 1. Smoking Prevalence among Adult Alaskans by Race and Sex

	Alaska Native ^a	All Races ^b
Men	46.5%	28.1%
Women	39.3%	25.0%

Figure 1. Smoking Prevalence in Alaska²

Legend:
Southeast (30%)
Gulf Coast (27%)
Urban (18%)
Bush (25%)



Deaths Caused by Smoking

The Centers for Disease Control and Prevention (CDC) has estimated that each year cigarette smoking results in approximately 419,000 deaths in the United States³. Deaths that are related to cigarette smoking include a portion of: cardiovascular disease; cancers of the lung, larynx, oral cavity, esophagus, pancreas, bladder, kidney and cervix; chronic bronchitis, emphysema, and other respiratory deaths⁴. Smoking also results in deaths in the perinatal period because it causes low birth weight infants and preterm delivery.

Using software provided by CDC⁵, we estimate that 1,416 deaths to Alaska residents during 1992-1994 were attributable to smoking, accounting for 19.8% of the 7,159 deaths during that time (Table 2).

Table 2. Total Number of Deaths and Estimated Smoking Related Deaths in Alaska 1992-94

Cause of Death	Total # of Deaths ^a	Smoking Related Deaths ^b	Percent Smoking Related
Cardiovascular	2,010	333	26.5%
Cancers	1,655	346	33.0%
Respiratory	503	263	51.7%
Perinatal (< 12 mos)	204	14	6.9%
Total	7,159	1,416	19.8%

Smoking Related Mortality Among Men and Women in Alaska

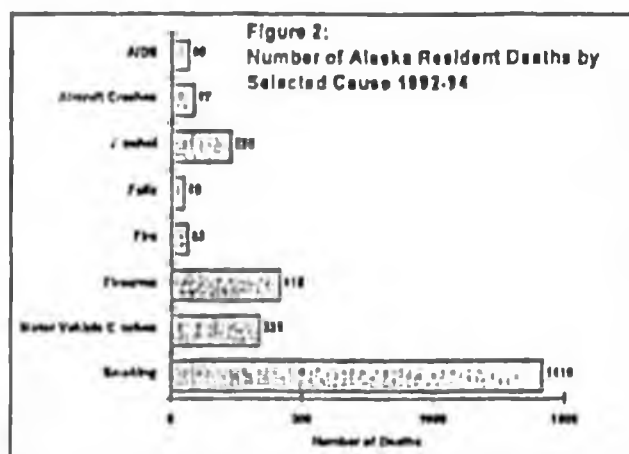
Of the 1,402 deaths among adults attributable to smoking, 912 were men, and 490 were women. Historically, men have been smoking longer than women and many smoking deaths are caused by long term use of cigarettes. Because smoking rates are now similar for men and women, women may have higher smoking attributable mortality in the future.

Deaths to Alaska Natives from Smoking

Alaska Natives account for 23.2% (329) of the smoking related deaths, although they account for 16.5% of the state's population.

Comparison to Other Important Causes of Death

The graph below shows how smoking compares to other preventable causes of death in Alaska⁷.



Summary

Each year, smoking kills more Alaskans than AIDS, aircraft crashes, alcohol, falls, fires, firearms and motor vehicle crashes combined. Alaska Natives are at higher risk because of their higher smoking rates.

Tobacco is considered the leading preventable cause of death in the United States¹. The majority of smokers began smoking before 19 years of age⁸. In the U.S., by the 1980's, almost no regular smoking began after the age of 18⁹. Therefore, efforts to decrease tobacco use in the U.S. are being directed towards school-age children and adolescents, including limiting advertising and access to cigarettes¹⁰. Additional tobacco cessation efforts include developing and enacting strong policies for clean indoor air, increasing excise taxes and increasing educational efforts.

References

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2. Alaska Behavioral Risk Factor Surveillance, 1991-93 Average. AK Division of Public Health.
3. Alaska Behavioral Risk Factor Surveillance, 1993 Annual Report. AK Division of Public Health.
4. USDHHS. Preventing tobacco use among young people: A report of the surgeon general. USDHHS, PHS, CDC, 1994.
5. Schulz JH, Novotny TE, Rice DP. SAMMEC II-Computer software and documentation. Rockville, Md. U.S. Department of Health and Human Services, Public Health Service, CDC, April 1990.
6. Mortality Data for Alaska Residents, provided by the Bureau of Vital Records, Alaska Division of Public Health. Cardiovascular Disease: ICD-9 390-448; Cancer: ICD-9 140-208; Respiratory ICD-9 460-519; Perinatal ICD-9 740-779, 798.0 and age < 12 mos.
7. Mortality Data for Alaska Residents, provided by the Bureau of Vital Records, AK Division of Public Health. Aircraft Crashes: ICD-9 840-845; AIDS ICD-9 042.44; Alcohol ICD-9 291.303,305,337.5,335.3, 425.5, 790.3, 860, 71.0-57.3; Falls ICD-9 880-888; Fires ICD-9 890-899; Firearms ICD-9 922.1, 5,965,970,985; Motor Vehicle Crashes ICD-9 810-825.
8. CDC. Reducing the health consequences of smoking: 25 years of progress a report of the surgeon general. Washington, D.C. USDHHS, PHS, CDC, 1989. 289-811.
9. Giovino GA, Mandelstam JB, Tomas SL, et al. Epidemiology of tobacco use and dependence. Epidemiol Rev 1995;17:1-65.
10. Federal Register, August 11, 1995. Regulations restricting the sale and distribution of cigarettes and smokeless tobacco products to children and adolescents proposed rule.



Department of Health and Social Services
Margaret R. Lowe, MEd, EdS, Commissioner

Division of Public Health
Peter M. Nakamura, MD, MPH, Director

Section of Epidemiology
John Middaugh, MD, Editor

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Bulletin No. 73 November 30, 1994

COSTS OF SMOKING IN ALASKA, 1991

It is estimated that each day 1,100 Americans will die from tobacco use; 3,000 children will smoke their first cigarette. In all, 419,000 smokers died and 1.5 million smokers quit in 1990. They are replaced by new smokers, 90% of whom start to smoke before age 18.¹

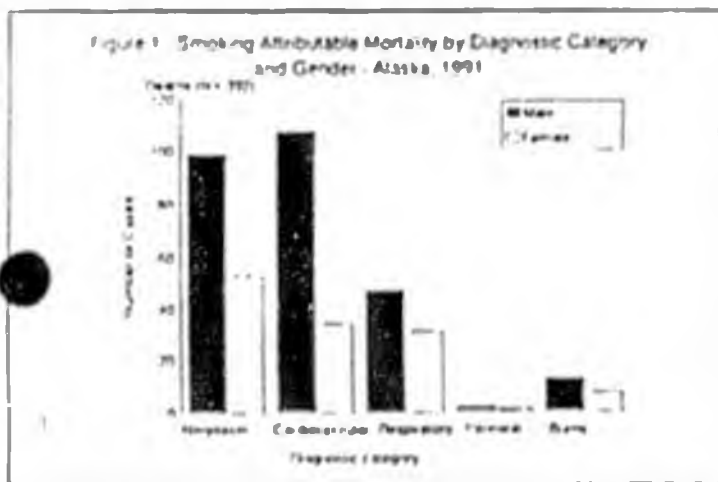
Cigarette smoking has substantial impact on mortality in Alaska. Every day an Alaskan dies due to smoking-attributable causes.

To estimate the impact of cigarette smoking in Alaska in 1991, we used the Smoking-Attributable Mortality, Morbidity, and Economic Cost (SAMMEC) software² distributed by the Centers for Disease Control and Prevention, and data from:

- the 1991 Behavioral Risk Factor Surveillance Survey
- health-care expenditure data (from the Office on Smoking and Health, CDC)
- population estimates by age and sex (Alaska Dept. of Labor) and,
- deaths by age, sex and smoking related diagnostic category (Section of Epidemiology).

RESULTS:

Smoking Attributable Mortality – 19% of the 2,076 Alaskan deaths in 1991 were smoking related. The proportion of all deaths attributable to smoking was higher for males (20%) than for females (16%). For males 40% of the smoking attributable deaths were due to cardiovascular diseases and 37% to neoplasms, whereas for females, 27% of smoking attributable deaths were due to cardiovascular diseases and 42% to neoplasms (Figure 1). Among Alaskans ≥ 35 years of age, 23% of deaths (372/1643) were attributed to cigarette smoking.



Smoking Attributable Years of Potential Life Lost (YPLL) – YPLL are the number of years that the person died prior to their 65th birthday. An average of 4.5 years of life were lost for each person 35 to 65 who died from a smoking related death in 1991.

Smoking Attributable Direct Costs – Direct health-care costs are the costs for the prevention, detection and treatment of smoking-related diseases as well as the cost for rehabilitating smokers suffering from smoking related illnesses. Costs of hospitalization, physicians' services, medications, nursing home care, and other professional services are included. The estimated total for direct costs in 1991 was \$45.6 million for persons ≥ 35 years of age. This is equivalent to \$220 per Alaskan ≥ 35 years of age or \$941 per current smoker ≥ 35 years of age.

Smoking Attributable Indirect Mortality Costs – These costs are calculated as the wages and salaries forfeited by persons who die prematurely from smoking-related causes. An estimated \$67.9 million was lost due to the indirect costs caused by smoking deaths.

Smoking Attributable Indirect Morbidity Costs – These costs include lost earnings and productivity for persons disabled by smoking-related chronic diseases. The estimated cost for indirect morbidity due to smoking was \$14.1 million.

The total estimated smoking attributable cost for Alaskans ≥ 35 years of age in 1991 was \$127.6 million.

DISCUSSION:

Smoking causes substantial mortality, morbidity and economic costs in Alaska. Total estimated smoking attributable costs have increased by 53% since 1989.³ These estimates are conservative since 1989 U.S. Labor Force and earnings data were used to calculate economic costs, which are lower than Alaska annual mean earnings. If Alaska specific health-care costs⁴ are used (instead of OSH health-care national estimates), total costs are greater – \$134 million.

SAMMEC underestimates the impact of smoking for several other reasons: 1) Estimates are based on cigarette smoking prevalence for 1991 which are lower in recent years than in the previous 30 years. The current burden of most chronic diseases linked to smoking reflects previous decades of higher smoking prevalence. 2) Estimates do not include deaths from other conditions (e.g., such as leukemia, and peptic ulcer disease) that may also be associated with smoking, nor do they include mortality caused by other forms of tobacco use (pipes, cigars, and smokeless tobacco) or exposure to environmental tobacco smoke.

To reduce the adverse health impacts of tobacco use, continued progress must be made in reducing tobacco use, especially smoking.

Vigorous efforts are needed to prevent the initiation of smoking, encourage smoking cessation at any age, and protect nonsmokers from the adverse effects of environmental tobacco smoke. Because many factors affect smoking initiation and cessation, multiple approaches are necessary including:

- increasing educational efforts
- reducing minors' access to tobacco products
- increasing tobacco excise taxes
- implementing more extensive and intensive counseling by health-care providers on smoking prevention and cessation
- developing and enacting strong policies and laws for clean indoor air
- eliminating advertising, especially advertising targeted toward persons less than 18 years of age.

References:

1. CDC. Smoking attributable mortality and years of potential life lost – United States, 1990. *MMWR* 1993;41:641-649.
2. Schultz JM, Novotny TE, Rose DP. SAMMEC Database software and documentation. Rockville, Md.: US Dept. of Health and Human Services, Public Health Service, CDC, April 1990.
3. Proham K. State of Alaska Epidemiology Bulletin, July 6, 1991.
4. State of Alaska Health Resources and Access Task Force Final Report, January 1993.

Excise Taxes and Preventing Tobacco Use In Young People

by David Sweanor

We need to reexamine the approaches taken in the worldwide fight against tobacco use. We need to consider the evidence of our success to date, not on the basis of justifying past action, but with the aim of increasing our effectiveness. We need to be reminded that during our 25-year fight against tobacco, world cigarette production has doubled and per capita consumption has increased 25%.

In most parts of the world, like my own country of Canada, the resources committed to tobacco control are very limited. This means the few people working to reduce tobacco use must use the most effective tools available. It is my view that the economics of tobacco have defeated our worldwide efforts to date and that turning the economics to our favor is the single most effective thing we can do to reduce tobacco use.

Affordability of tobacco appears to be, for many countries, the single largest determinant of how many children will start smoking.

Fortunately, the cost of cigarettes need not be determined solely by tobacco companies: tax policy can dictate prices and health concerns can dictate tax policy. It is time to use the incredibly cost-effective tool of tax policy as central to any strategy to reduce tobacco use and to prevent

young people from ever becoming addicted in the first place.

The Economics of Tobacco Control

It is hardly surprising that those who came early to the fight against tobacco use chose the well-tried weapons of previous health campaigns; first, the search for a cure. When that failed, we looked to health education. Only when we came to realize that much greater gains could be made, did we resort to legislative action.

Each of these successive approaches has been a movement toward dealing with the source of the problem. We started with the symptoms and moved to the cause. The closer we have come to the source of the problem, the more effective the intervention has been. As we examine the various legislative avenues available, it is clear that some are more effective. I believe that economics is about the most effective tool available, and legislative intervention in the area of tobacco tax policy is the way to turn this tool to our advantage.

We know that controlling tobacco use is different from other health battles—because the foe is not a virus or bacteria, but a powerful industry with a vested interest in making money from the product causing the disease.

It can fairly be said that the profits from marketing tobacco are so great that some companies are willing to kill

for them. Cigarettes are very cheap to manufacture, they are addictive, and virtually every national market is controlled by no more than three companies. The result is often little price competition, so retail prices edge upward, and profits skyrocket.

However, there is a flaw in marketing a deadly product—built-in obsolescence not of the product, but of its consumers. The tobacco industry has to recruit new consumers to survive. The profile of these new recruits varies from country to country but with one universal constant: the new users of tobacco products are overwhelmingly young people. As a result, we know that the real battle is to stop the tobacco industry from recruiting young people. A person who has not become a tobacco user by age 20 is likely to never become one.

We also know that, despite decades of health education, young people do not grasp the magnitude of the risk associated with tobacco use. For example, in Canada, despite the best efforts of health educators, a recent survey¹ found that only a small minority could recall that smoking caused heart disease—many did not know that lung cancer is fatal, and few realized that the risk of heart disease declines dramatically soon after someone quits smoking.

David Sweanor is Legal Counsel for the Non-Smokers' Rights Association of Canada.

Presented at the 8th World Conference on Tobacco OR Health, Buenos Aires, Argentina, March 30-April 2, 1992.

But there is one piece of knowledge we and the tobacco industry have in common—that price is the key. If the price of tobacco goes down, use goes up. If tobacco becomes less affordable, consumption goes down.

Price has the greatest influence among those who are not yet addicted: the young. The industry needs to get them into the market.

We need to keep them out.

Cigarette Prices and Young People

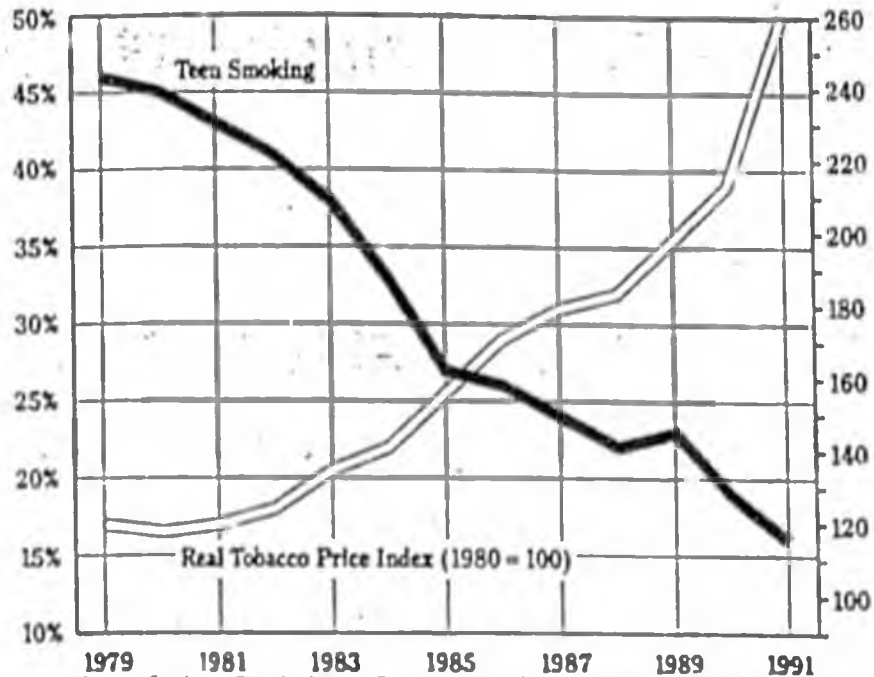
Evidence from the United States² has suggested that every 10% increase in the real (i.e., after inflation) price of cigarettes leads to roughly a 10% reduction in tobacco use among teenagers. This evidence, which has existed for at least a decade, led some of us in Canada to decide to focus on tax increases as an integral part of our approach to tobacco control.

These efforts have been successful. We have obtained very large tobacco tax increases that have caused dramatic increases in tobacco prices and resulted in stunning falls in the number of young people using tobacco.

In 12 years—from 1979 to 1991—the real price of tobacco increased by a total of 158% and teenage tobacco use fell by two thirds (Figure 1). This is startling progress toward the goal of a tobacco-free society.

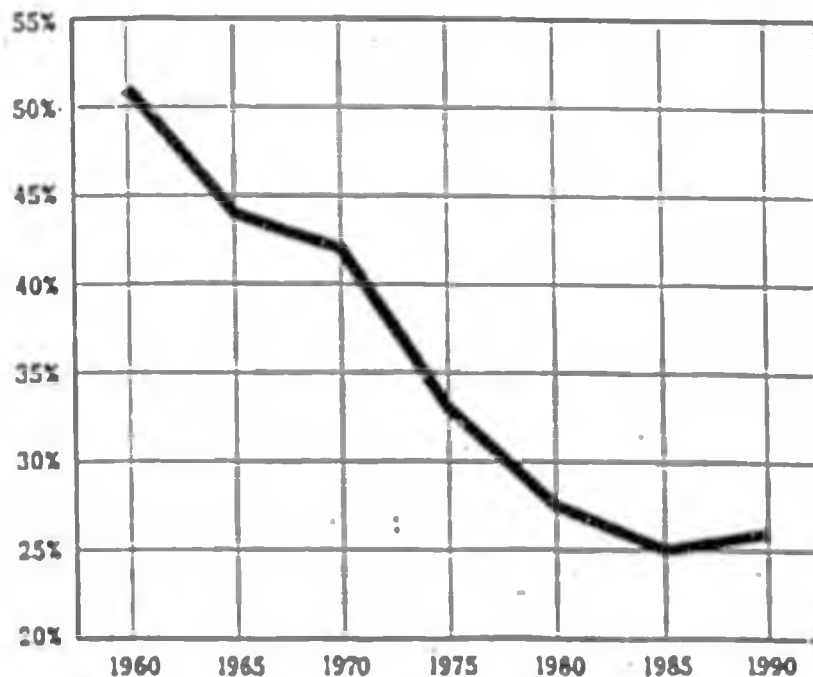
In determining the extent to which the decline in Canadian teenage tobacco use has been induced by tax-based price increases, various factors can be considered. Public education campaigns do not explain this drop, since countries like Canada (such as the United States) ran similar campaigns but experienced no comparable decline in teenage smoking. Even our ad ban, health warnings, and laws protecting nonsmokers cannot explain

Figure 1: Real cigarette prices and cigarette smoking among Canadians age 15 to 19



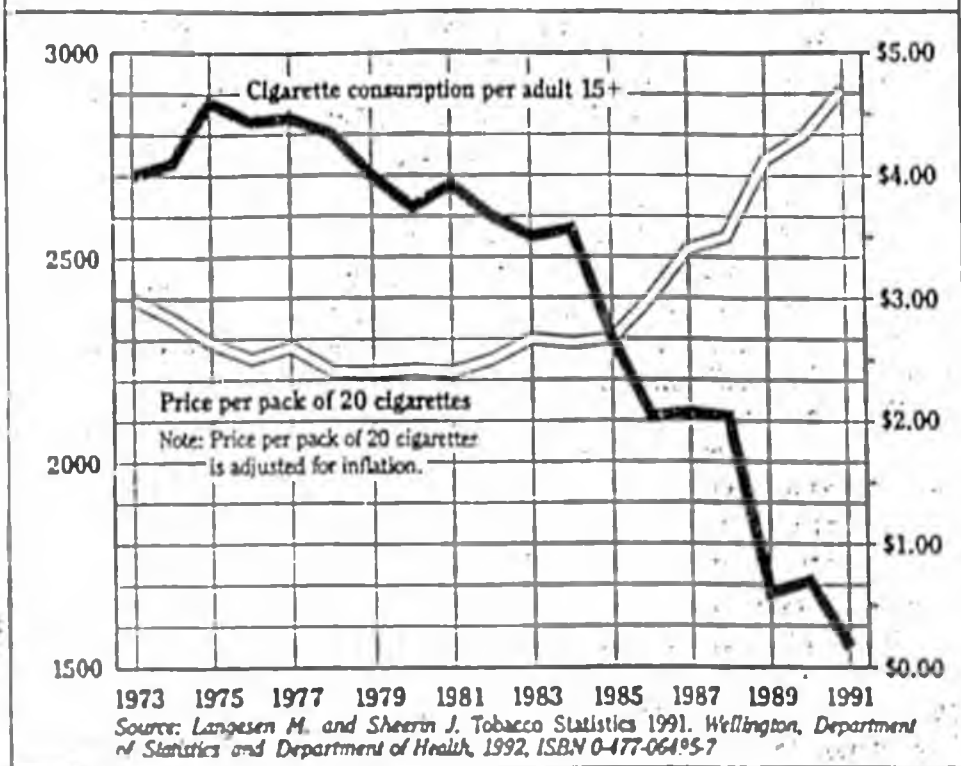
Source: Statistics Canada, Labour Force Survey, 1991; Canadians and Smoking: An Update, Health and Welfare Canada, 1991.

Figure 2: Tobacco taxation in the United States—average cigarette tax as a % of retail price



Source: The Tax Burden on Tobacco, The Tobacco Institute, Volume 25, 1990, pp. 72-108.

Figure 3: Cigarette consumption versus pack price—New Zealand, 1973-1991



this fall, since these are recent measures. A 1991 study³ found that the price sensitivity of Canadian teenagers is much in line with what the US studies had suggested.

Unlike many other interventions, the impact of tax changes is immediate and dramatic. Whereas other interventions often require a great commitment of resources, the cost of a tax intervention can work out to no more than pennies per life saved. All that is needed is a little knowledge, some persuasive advocacy, and persistence.

How Can We Use This Information?

It seems clear that tobacco taxation is a strategy that works. Why then is it so underutilized? Why have so few governments used taxes to reduce tobacco consumption? Why have some countries—like the United States—let the tax component of retail prices

slump (Figure 2) while research showed the impact of tobacco use and the role of taxation in reducing such use? Why do some governments who are prepared to see tobacco advertising banned, still protect the cheap cigarettes produced by their national tobacco monopolies?

One reason must be that the health lobby has been so reluctant to put tobacco tax increases at the top of its agenda. Unlike the tobacco industry, we have failed to realize the power of economics. Because we are less experienced in talking to government finance officials than dealing with the health departments. Because it means talking an unfamiliar language to people who may—at the start—be unsympathetic.

But the experience of places such as Hong Kong, Britain, New Zealand, and Canada shows that the effort is

repaid many times over. In fact, the benefits from the impact on youth smoking are greatly compounded by the impact on adult tobacco consumption. An analysis of countries around the world shows the powerful inverse relationship between price and consumption. New Zealand is but one example (Figure 3).

Finance ministers are willing to listen to a well-presented health case. This could be due to a combination of pure expediency, since tobacco taxes are a convenient way to raise money, and a recognition of the role of fiscal policy in preventing disease. Once convinced, these officials can be powerful allies within government.

Another lesson is that tax increases are the fastest, surest way of achieving large reductions in tobacco consumption. And that in turn opens the way for further initiatives. Fewer smokers make it easier to get restrictions on workplace smoking, to get smoke-free transportation, and to get rid of advertising. The higher taxes can also increase a government's willingness to implement bold marking schemes that make smuggled tobacco easier to identify while reducing the attractiveness of tobacco packaging. These measures are part of a strategy that reinforces the message to the next generation, that smoking is an activity on the way out.

Obstacles to Action

The tobacco industry resists tobacco tax increases with an intensity commensurate with its certainty that such measures reduce consumption. The industry will throw any obstacle in the way of a sizable tax increase. It will also seek loopholes that keep cheap products in the market as a lure for those who might otherwise not

start—or quit—as the price rises.

Favorite tactics of the industry include focusing attention on the plight of local tobacco growers and tobacco factory workers. It will also attempt to portray the tax as unfair to the poor, to enlist the services of those with strong government ties to oppose you, or to promote the idea that higher taxes will increase crime.

Fortunately, all these tactics of the tobacco industry have already been effectively countered in some countries. Anyone now embarking on a campaign for health-oriented tobacco tax policies can become an "instant expert" simply by learning the lessons of the campaigns run to date. The arguments the tobacco industry makes with respect to economics can be shown as no more credible than the position the industry takes on health.

The major obstacle to date has been the reluctance of health organizations to move strongly into the area of tobacco pricing. The tobacco industry and governments have done exactly as would be expected on tobacco pricing given their respective interests and methods of operation. It is the "health lobby" that has been rather absent from this field. As a

result, we have left the area of economic policy firmly in the hands of the tobacco industry and placed ourselves at a great disadvantage in our efforts to reduce youth smoking.

Conclusion

If the health community remains reluctant to get seriously involved in the economics of tobacco, we will almost undoubtedly see worldwide tobacco sales continue to increase in the foreseeable future. The increasing affordability of tobacco is probably the major reason world cigarette production has doubled in the last 25 years. If we do not move on this front, far too many of the planet's young people—the people we talk so earnestly of saving from tobacco addiction—will be making their debut as mortality statistics 25 years from now.

If we choose to get involved, to change the economic landscape in tobacco control, the impact on world tobacco consumption could be beyond anything achieved to date. The level of smoking among young people could be suddenly and significantly reduced. The impact of these same price changes among adults could lead to an unprecedented decline in world

tobacco sales.

A quarter of a century ago, at the First World Conference on Smoking and Health, Senator Robert F. Kennedy said: "The industry we seek to regulate is powerful and resourceful. Each new effort to regulate will bring new ways to evade.... This is a battle that can be won." These words are as true today as they were when first spoken. They are no less true in the area of tax policy than any other area of tobacco control. Our major challenge today is to use what we know to finally start winning that battle. ☹

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1. Canadian Council on Smoking and Health. *Awareness of Health Hazards Due to Smoking*. Environics Research Group Limited, Toronto, December 1990.
2. US Department of Health and Human Services. *Smoking and Health in the Americas: A 1992 Report of the Surgeon General*, with the Pan American Health Organization. US DHHS, Public Health Service, Centers for Disease Control, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 1992, pp. 127-136.
3. Roberta Ferrence, et al. *Effects of Pricing on Cigarette Use Among Teenagers and Adults in Canada 1980-1989*. Addiction Research Foundation, Toronto, February 1991.

Doonesbury



BY GARRY TRUDEAU

Tobacco: The Positive Impact of Increased Taxes

**Revised
April 1995**

**Developed by the
American Lung Association of Alaska**

(907) 276-5864

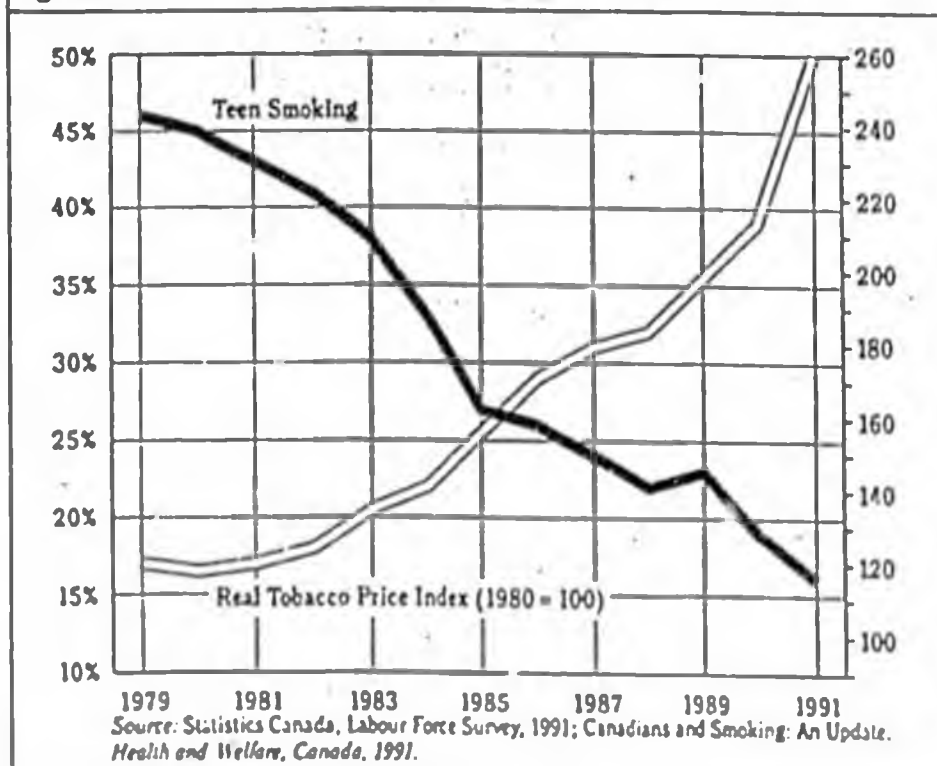
**with funding from the Robert Wood Johnson
Foundation's grant, "Trampling Tobacco: A
Winning Tobacco Control Strategy for Alaska"**

Tobacco: The Positive Impact of Increased Taxes

► **Increases in cigarette prices will reduce cigarette consumption.¹**

- In 1989, the U.S. Government Accounting Office concluded that increasing cigarette taxes should significantly reduce the number of teenagers who smoke. They concluded that for every 1 percent increase in the price of cigarettes, 1 percent fewer teenagers would take up smoking.²
- In Canada, between 1979 and 1991, higher tax rates increased the real price of tobacco by 158 percent and teenage consumption dropped by two-thirds.³

Figure 1: Real cigarette prices and cigarette smoking among Canadians age 15 to 19



¹ Centers for Disease Control and Prevention. *Preventing Tobacco Use Among Young People: A Report of the Surgeon General*. Atlanta, Georgia: US Department of Health and Human Services, Centers for Disease Control and Prevention, 1994.

² U.S. Government Accounting Office. *Teenage Smoking: Higher Excise Taxes Should Significantly Reduce the Number of Smokers*. Washington, D.C.: U.S. Government Accounting Office, 1989.

³ Sweanor, David. "Excise Taxes and Preventing Tobacco Use in Young People." *World Smoking and Health*, Volume 17, No. 3. Atlanta, Georgia: American Cancer Society, 1992.

Tobacco: The Positive Impact of Increased Taxes (page 2)

- In California, cigarette smoking declined nearly 24 percent (from 26.7 percent in 1988 to 20.4 percent in 1992) after Californians approved a 25 cent excise tax increase.⁴

▶ **It is important to raise tax levels to discourage use by youth.**

- Ninety percent of smokers who become regular smokers start before they turn 21 years of age.⁵ Nearly 84 percent of adult Alaskans who smoke started between the ages of 10 and 20 years of age.⁶
- One-third of high-school-aged adolescents in the United States smoke or use smokeless tobacco. The decline in smoking prevalence among youth leveled off since 1980 and in fact, is on the rise among male high school seniors.⁷
- Each day 3,000 children in the United States smoke their first cigarette.⁸
- Youth tobacco consumption is influenced by prices at least as much as adult consumption.⁹ Some studies have found that teenagers are significantly more responsive to price changes than adults.¹⁰

▶ **Of the public health strategies available for reducing tobacco use, increasing tobacco prices as a way of raising the price of tobacco products is viewed as the most effective.**

- In Canada, the dramatic decrease in teenage tobacco consumption followed a substantial tax rate increase. The decrease in consumption could not be attributed to the ban on advertising, health warnings, or laws protecting nonsmokers.¹¹
- A virtue of increasing tobacco taxes as a public health strategy is that it is immediate and does not require further public resources to implement.

⁴ California Department of Health Services, 1992.

⁵ Novello, Antonia C. "Youth: An Urgent Challenge for Tobacco Control." *World Smoking and Health*, Volume 17, No. 3. Atlanta Georgia: American Cancer Society, 1992.

⁶ Alaska Division of Public Health. *Alaska Behavioral Risk Factor Survey: 1992 Annual Report*. Juneau, AK: Alaska Division of Public Health, October 1994, page 24.

⁷ Novello, Antonia C., 1992. Centers for Disease Control and Prevention, 1994.

⁸ Novello, Antonia C., 1992.

⁹ Centers for Disease Control and Prevention, 1994.

¹⁰ Lewit, Coale, and Grossman. "The Effects of Governmental Regulation on Teenage Smoking." *Journal of Law and Economics*, 24:545-569, December 1981. Grossman, et al. *Economic and Other Factors in Youth Smoking*. Washington, D.C.: National Science Foundation, 1983.

¹¹ Sweanor, David, 1992.

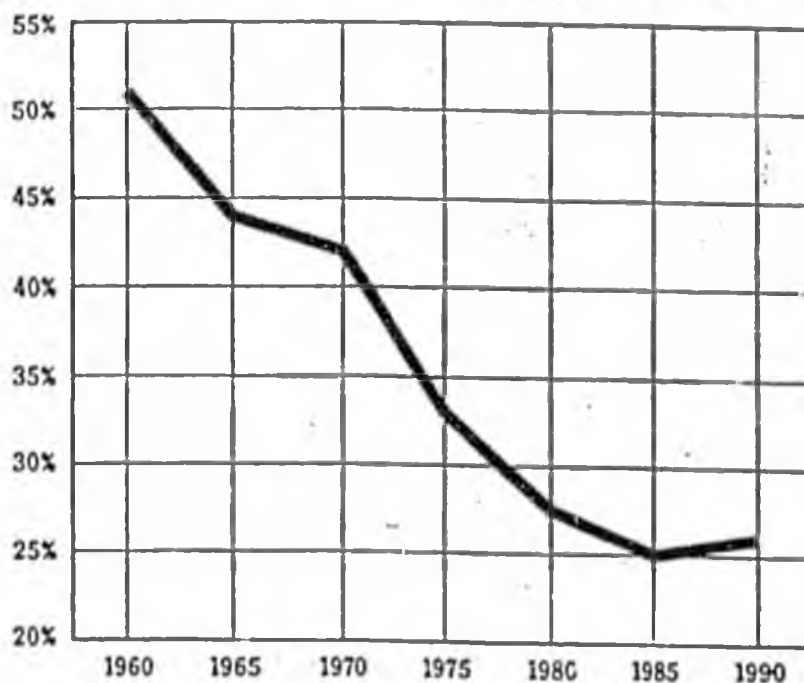
Tobacco: The Positive Impact of Increased Taxes (page 3)

- Public health experts estimate that increased tobacco excise taxes will discourage millions of Americans from starting to smoke and prevent millions of premature deaths.¹²

Amount of tax increase	Number of fewer smokers	Premature deaths prevented
\$1.00	4.5 million	1.1 million
\$2.00	7.6 million	1.9 million

- Between 1960 and 1990, the average cigarette tax as a percent of retail price has sharply declined.¹³

Figure 2: Tobacco taxation in the United States—average cigarette tax as a % of retail price



Source: The Tax Burden on Tobacco, *The Tobacco Institute*, Volume 25, 1990, pp. 72-108.

¹² Coalition on Smoking OR Health. *Saving Lives and Raising Revenue: The Case for Major Increases in State and Federal Tobacco Taxes*. Washington, D.C.: Coalition on Smoking OR Health, January 1993.

¹³ The Tobacco Institute. *The Tax Burden on Tobacco*. Volume 25, 1990, pages 72-108 as reported in Novello, Antonia C., 1992.

Tobacco: The Positive Impact of Increased Taxes (page 4)

- ▶ **While increased tobacco taxes are a major deterrent to smoking, as of 1992, only 20 states had tobacco tax rates lower than Alaska's.**
 - The tobacco tax was last increased in Alaska in 1989. Inflation has eroded much of the real price increase.

- ▶ **A recent survey of 615 Alaskans found that 65 percent of respondents favored a 75 cent increase in the state tobacco tax if the money went toward health programs.**



This fact sheet was produced with funding from the Robert Wood Johnson Foundation's grant, "Trampling Tobacco: A Winning Tobacco Control Strategy for Alaska." For further information, contact the American Lung Association at 907/276-5864 or the Alaska Department of Health and Social Services, Health Promotion Program at 907/465-3140.

¹This reflects a combined rate for excise and sales taxes. See Centers for Disease Control and Prevention, 1994.

² Survey sponsored by the Alaska Department of Health and Social Services; conducted by Mathematica Policy Research with funding from the Robert Wood Johnson Foundation, September 1994. Results summarized in the Report to the ATCA Steering Committee, Public Policy Work Group of the Alaska Tobacco Control Alliance, November 8, 1994.

TOBACCO TAX QUOTES

FORMER U.S. SURGEON GENERAL C. EVERETT KOOP

"Let's not let the tobacco industry make victims of the public on this one. Health-related taxes are different; they're good for you."

"Figuring that smoking kills about a third of all those who smoke, this tax [a \$2 per pack increase] could prevent the premature death of at least 2 million Americans alive today. No other single aspect of any health care reform plan can make so dramatic a claim."

Source: C. Everett Koop, "A Tax That's Good For You," WASHINGTON POST, September 21, 1993, p. A19.

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FORMER PRESIDENT JIMMY CARTER

"The single most effective way to reduce tobacco use and nicotine addiction, especially among children, is a substantial increase in the price of tobacco products.

... Our children are the most important reasons for a major tobacco tax increase."

Source: Jimmy Carter, "To Save Lives, Raise Funds and Cut the Deficit: Tax Tobacco," NEW YORK TIMES, February 21, 1993, sec. 4, p. 16.

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U.S. SENATOR BILL BRADLEY

"People call this a sin tax. The sin is a government that allows 400,000 people to die every year without doing anything to stop this."

Source: "Health Groups Encouraged by Major Cigarette Excise Tax Increase, Praise Life Saving Benefits," Press Release from Coalition on Smoking OR Health, March 3, 1993.

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U.S. REPRESENTATIVE MICHAEL ANDREWS

"The members of Congress supporting [raising tobacco taxes] represent a wide range of proposals for reforming our health care system -- from managed competition to single payer. While we may not agree on the ways to achieve that goal, we do agree on the best way to help pay for it: increasing the tax on cigarettes."

Source: "Health Groups Encouraged by Major Cigarette Excise Tax Increase, Praise Life Saving Benefits," Press Release from Coalition on Smoking OR Health, March 3, 1993.

EDITORIALS, LOUISVILLE (KENTUCKY) COURIER-JOURNAL

"Increasing the taxes on tobacco products makes especially good sense. Smoking is the leading cause of preventable death.... Certainly no plan for health care reform -- state or national -- will make sense unless it emphasizes prevention of disease. That means encouraging people to drop unhealthy habits, and recognizing tobacco for what it is: the eighth deadly sin."

Source: "The Wages of Sin," LOUISVILLE COURIER-JOURNAL, February 28, 1993.

"Kentucky's leaders are making a huge strategic mistake in their fight over the proposed tax on tobacco. They all admit a tax is coming. That their response has been predictable and short-sighted: to pass meaningless resolutions and to haggle over amounts."

Source: Editorial, "Tap the Tobacco Tax," Louisville Courier-Journal, Sept. 26, 1993.

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EDITORIALS, USA TODAY

"Government should raise the cost of smoking with a steep cigarette tax hike. Something like \$2 a pack ... would work nicely."

Source: "Don't Hesitate To Raise the Tax on Cigarettes," USA TODAY, April 14, 1993. p. 12A.

"What the hell: Make it \$2.50."

Source: "Boosting Cigarette Taxes Can Pay Off in Two Ways," USA TODAY, January 12, 1994, p. 10A

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EDITORIAL, WASHINGTON POST

"Taxing tobacco more heavily--as President Clinton suggested the other day--is a thoroughly good idea. It's a twofer. The tax not only would raise substantial amounts of money for a government that desperately needs it but would exercise greater pressure on people to cut down their smoking."

Source: "Twofer Taxes," WASHINGTON POST, March 1, 1993, p. A16.

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U.S. DEPARTMENT OF AGRICULTURE, WORLD TOBACCO SITUATION

"The tobacco community strongly believes that the taxes levied upon cigarettes are the overwhelming influence on cigarette consumption."

Source: World Tobacco Situation, USDA, August, 1992, p. 36.

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DR. SAMUEL BRODER, DIRECTOR, NATIONAL CANCER INSTITUTE

"A major increase in the federal cigarette excise tax could result in real improvements in public health. It would save lives and generate revenue which could be applied to other areas, such as the nation's health care and deficit reduction."

Source: "Note to Reporters and Editors," (Press Release) Department of Health and Human Services, August 25, 1993.

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LYNNE D. RICHARDSON, M.D., F.A.C.E.P

"If there was a legislative proposal for a preventive health program which would save two million lives, I would support its enactment if it cost \$20 billion. To enact a program which will save two million lives and raise over \$20 billion in revenue seems to be to be a compellingly attractive proposition."

Source: Testimony of Lynne D. Richardson, M.D., F.A.C.E.P., on behalf of the Coalition on Smoking OR Health, before the House Ways and Means Committee, November 19, 1993, p. 4.

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DAVID SWEANOR, NON-SMOKERS' RIGHTS ASSOCIATION (CANADA)

"It's a triple-win situation. It does terrific things for public health; it brings in more revenue, because the higher tax offsets the drop in consumption; and it's popular. It's a way that a political leader can save more lives than most social researchers could ever dream of."

Source: Charles Babington, "Tax Increase Cut Smoking, Md. Finds," WASHINGTON POST, September 3, 1993, p. B1.

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KENTUCKY STATE REPRESENTATIVE ANNE NORTHUP

"A low cigarette tax will imperil the funding of health-care reform, but it won't help the tobacco farmer one iota."

Source: Press Release, Kentucky State Rep. Anne Northup, September 21, 1993.

"This is an opportunity for Kentucky political leaders to bring home the bacon."

Source: Kentucky State Rep. Anne Northup, "Northup Says Raising Tobacco Tax is Right and Could Even Help Farmers," Louisville Courier-Journal, September 22, 1993.



**KENNETH E. WARNER, PH.D., SCHOOL OF PUBLIC HEALTH,
UNIVERSITY OF MICHIGAN**

"A substantial increase in cigarette taxation would constitute significant 'health care reform' all by itself, regardless of the fate of proposed changes in our health care delivery system. It would produce a public health achievement with few precedents while reducing the nation's health care bill in the process."

Source: Kenneth E. Warner, "Profits of Doom," AMERICAN JOURNAL OF PUBLIC HEALTH, September 1993, p. 1211.



ALAN C. DAVIS, FORMER CHAIRMAN, COALITION ON SMOKING OR HEALTH

The Tobacco Institute is trying to convince us that American men, women and children must keep smoking and dying in vast numbers in order to protect jobs. This premise is as false as it is perverse. The logical extension of the tobacco industry's reasoning is that if we could just convince a few million more kids to smoke, we could wipe out unemployment altogether!"

Source: Alan C. Davis, former Chairman, Coalition on Smoking OR Health, Statement at a Coalition on Smoking OR Health news conference, October 9, 1993.



GAINS FROM ALASKA'S \$1 CIGARETTE TAX INCREASE NOT COMPROMISED BY UNAUTHORIZED SALES

When a state moves to increase tobacco taxes, the tobacco industry immediately raises the specter of organized illegal cigarette trafficking. Why is the tobacco industry nervous? Because the record shows *state tax increases reduce smoking AND raise new revenue.*

Numerous geographic, economic and political factors dictate that Alaska's cigarette tax increase will not substantially increase illegal sales. There are four forms of illegal cigarette trafficking: interstate smuggling, international smuggling, bootlegging from (tax-exempt) Indian reservations, and illegal sales from (tax-exempt) military bases. None of these possibilities threatens the projected revenue and health gains from Alaska's proposed tax increase.

1. Interstate smuggling from Washington is too costly. Washington has the highest state cigarette tax in the U.S. (81.5 cents/pack) and a state sales tax that adds 15 cents to the price of each pack. A \$1.00 Alaska tax increase will allow virtually no profit margin for smugglers. In addition, the cost of shipping from Seattle to Alaska and the substantial time and capital required offer no realistic possibility of interstate smuggling.
2. International smuggling from Canada also makes no economic sense. According to a Peat Marwick report prepared for the Alaska Cabaret, Hotel, Restaurant and Retail Association (and backed by the tobacco industry), "Although Alaska has a long border with Canada, two of its major cities (Anchorage and Fairbanks) are not in close proximity to it. Moreover, cigarette taxes in the two bordering jurisdictions (Yukon Territory and British Columbia) would remain higher than in Alaska, even with the proposed tax change." For example, the tax in the province of British Columbia is \$2.59 (US). Consequently, there would be no incentive for international smuggling.
3. Boot-legging from Indian reservations poses virtually no threat. According to the industry's own consultant, "There is only one Indian reservation in Alaska (tribal land on Annette Island) where state and federal taxes are not levied. However, this jurisdiction is relatively small and isolated and would not be a major source of cigarettes." (Emphasis added.)
4. Limited trafficking from military bases can be controlled by the Department of Defense. Tobacco sales on military bases can be controlled by the DoD in Alaska. Entry to commissaries is restricted to authorized patrons. Furthermore, DoD policy limits the purchase of tax free cigarettes to no more than four cartons. If problems ensue, this can be further restricted. After Hawaii's state cigarette tax increase, DoD imposed a one carton limit on tax-exempt sales to avoid unauthorized re-sales.

The tobacco industry, its allies and front groups claim that our servicemen and women are lawbreakers. The report they back alleges: "Although sales to nonfamily civilians are illegal, military personnel might sell bootleg cigarettes to civilians off-base. Indeed, bootlegging appears to be widespread in Alaska and elsewhere." To suggest that US military personnel and their families will violate the law and reap profits at the expense of Alaska's state government slanders the honest, committed and hardworking members of our Armed Forces and is truly repugnant to everything they work for.

The tobacco industry used the same arguments to oppose Alaska's last tax increase.

Alaska's FY 1990 cigarette tax increase, which raised the tax from 16 to 29 cents/pack, did not result in a sharp decline in revenue. To the contrary, while cigarette smoking declined modestly, revenues doubled and have since held steady. The industry's claims of major illegal cigarette trafficking killing revenue gains were proven unfounded.

YEAR (FY)	TAX	PACKS SOLD	REVENUE
1987	16 cents	59,394,000	\$9,503,000
1988	16	55,406,000	8,865,000
1989	16	50,813,000	8,130,000
1990	16 - 29	--	13,450,000
1991	29	56,472,000	16,377,000
1992	29	54,524,000	15,812,000
1993	29	52,831,000	15,321,000
1994	29	53,614,000	15,548,000
1995	29	53,317,000	15,462,000

The tobacco industry also used these arguments to fight tax increases in other states.

When California raised its cigarette tax from 10 cents to 35 cents, revenue jumped over 200% from \$252 million (fy '88) to \$778 million (fy '90) despite industry's gloomy predictions. Over the same two-year period, cigarette consumption per person dropped 13.6 percent.

Since 1992, when the Massachusetts cigarette tax was raised from 26 to 51 cents, state cigarette tax revenue increased by 67 percent, from \$142 million (fy '92) to \$238 million (fy '94). During the same period, smoking fell by 18 percent.

From: American Cancer Society

A \$1.00 INCREASE IN ALASKA'S TOBACCO TAX WILL RAISE OVER \$100 MILLION IN THE 1st THREE YEARS

Every state to enact a major cigarette tax increase has seen a gain in revenue. In Alaska, data show a \$1.00/pack tax increase will raise more than \$100 million in new revenue in the first three years. Virtually all mainstream economists agree that tobacco tax increases both raise new revenue and reduce smoking.

Higher Cigarette Taxes Reduce Smoking and Yield Predictable, Increased Revenues

- In 1992, a panel of 12 independent economists from top American institutions were convened by the National Cancer Institute to review the existing research on the relationship between cigarette taxes and smoking, and to produce a consensus document on the subject. According to the panel, "the price elasticity of demand for cigarettes is usually found to be between -0.3 and -0.5. In other words, for every 10 percent increase in the price of cigarettes, we can expect a decline in smoking between 3 and 5 percent".
- The Alaska Department of Revenue's use of a -0.4 price elasticity of demand falls squarely within the generally accepted range. The report produced by Peat Marwick for the Alaska Cabaret, Hotel, Restaurant and Retail Association, and backed by the tobacco industry, uses a -0.62 price elasticity of demand which falls well outside this range.
- Estimates by the State Long Range Financial Planning Commission, Alaska Department of Revenue, and NCI's panel of expert economists all project that a \$1.00/pack cigarette tax increase will yield well over \$100 million in new revenues in its first three years. Even the Peat Marwick report, which grossly underestimates the benefits of a tax increase, pegs the gains to the state at \$85 million.

Estimated Additional Revenue Over Three Years from a \$1.00 Increase in the Cigarette Tax (millions)

Year	Alaska Long Range Comm.	Alaska Dept. of Revenue	NCI Economists	Tobacco Industry
Year 1	\$58.0	\$57.0	\$55.0	\$48.0
Year 2	\$7.0	\$7.0	\$3.0	\$3.0
Year 3	\$6.0	\$7.0	\$2.0	\$3.0
Total	\$171.0	\$171.0	\$160.0	\$130.0
vs. Status Quo	\$8.0	\$8.0	\$8.0	\$8.0
New Revenue	\$123.0	\$123.0	\$112.0	\$85.0

Alaska's OWN Record Shows Raising its Tobacco Tax Produced Major Revenue Gains

- In 1989 Alaska increased its state cigarette excise tax from 16 cents to 29 cents per pack. State revenue from cigarette sales doubled from \$8.1 million (fy '89) to \$16.4 million (fy '91), and have declined only marginally since then. In (fy) 1995 cigarette tax revenue totaled \$15.5 million.
- In the 5 fiscal years since the (fy) 1990 tax increase, Alaska's state treasury has collected \$40 million in additional revenue over what would have been earned without the increase. The table below compares actual state cigarette tax revenue for the period (fy) 1991 to (fy) 1995, to projected revenue based on a 16-cent tax² and a generally accepted baseline estimate of a 1 percent annual decline in smoking.

Revenue Gains from Alaska's 1990 Cigarette Tax Increase
(millions)

Fiscal Year	Revenue if Tax Remained 16 cents	Actual Revenue (Tax Raised to 29 cents)	Net Gain to Alaska Treasury
1991	\$7.968	\$16.377	\$8.409
1992	7.889	15.812	7.923
1993	7.810	15.321	7.511
1994	7.732	15.548	7.816
1995	7.654	15.462	7.808
Total	\$39.053	\$78.520	\$39.467

How Can a Higher Tax Reliably Generate Greater Revenues While Reducing Smoking?

- As tobacco taxes increase, some people quit smoking. However, tobacco is addictive enough that most can't quit. Thus tax revenues increase faster than sales decline. This "demand-inelastic" relationship has been observed in countless states (most recently California and Massachusetts) which have seen higher taxes reduce smoking and raise major new revenue.
- The 1995 Peat Marwick report claims the projected impact of tobacco tax revenue raised by the proposed tax increase will decline over time due to inflation. This is false. The Alaska Long Range Financial Planning Commission has proposed an increase every three years to protect the value of the new tax revenue against inflation.

Sources

1. National Cancer Institute. "The Impact of Cigarette Excise Taxes on Smoking Among Children and Adults: Summary Report of a National Cancer Institute Expert Panel." 1993.
2. Calculations based on data from The Tax Burden on Tobacco. The Tobacco Institute, Washington, DC. 1994, vol. 29.

THE AMERICAN WORLD

Smoking
& Health

WASHINGTON, D.C.



Health Taxes

TWO DOLLARS



NATIONAL HOME OFFICE

JOHN R. SEFFRIN, PhD
Executive Vice President
And Chief Staff Officer

Dear Friend:

One million Americans need your help. If Congress cannot be convinced to adopt a \$2-per-pack increase in the federal excise tax on tobacco rather than the Clinton Administration's proposed 75¢ increase, **one million more Americans will die** from tobacco-related diseases.

President Clinton's decision to propose a 75¢ increase was important and his effort deserves our support. But the issue is now in the hands of Congress, and they are debating it right now. With a million lives at risk, we cannot sit idly by; **we must let Congress know how we feel—today.**

The tobacco industry has money and power. Highly paid tobacco lobbyists are descending on Capitol Hill in droves, spending millions of dollars to defeat us. We don't — have the tobacco industry's money, but we do have something tobacco money can't buy—conviction and people power.

Overcoming the tobacco industry's might will require unprecedented effort from all of us. That's why we've added this special section to this edition of **World Smoking & Health**. Inside, you'll find important facts about the need for a tobacco tax increase, tips on how to write to your representatives in Washington, and a sample letter.

Please use this information and join the campaign to save a million lives by writing your representatives in Congress today. Because this issue is so important, I also urge you to ask ten of your friends to do the same.

The difference between 75¢ and \$2 is more than a few cents; it is a matter of life and death. Please write today. You will make a difference. A million lives depend on you.

Sincerely,

A handwritten signature in cursive script that reads "John Seffrin".

John Seffrin

P.S. I've already sent my letters to my representatives in Congress. Please join me; we can't afford to waste this historic opportunity to save lives.

Your Letter Will Make A Difference!

Members of Congress pay close attention to constituent opinions, and personal letters are the best way to tell Congress how you feel.

Unfortunately, no one is better at generating loads of mail than the tobacco industry and its lobbyists. Most pro-tobacco industry mail consists of form letters and postcards generated by consulting firms that specialize in generating "astroturf," or artificial grassroots support, in Congress. As a result, even though the vast majority of Americans favor a \$2-per-pack tobacco tax increase, many members of Congress are only hearing from those who are opposed.

Your letter will help balance the scales!

Letter Writing Is Easy

There is no special format, but a few tips will help:

- Write in your own words, on your own personal or business letterhead.
- Keep your message simple. Don't feel you must write a masterpiece or include extensive information. Just tell your Member, briefly, where you stand and why.
- Ask directly whether he or she will support a \$2-per-pack tobacco tax increase, and ask for a reply.
- Keep your message positive, and make sure to thank your Member.
- **The most important thing is just to write and show you care!**
- A sample letter is included.

Other Ways You Can Make A Difference

Call your Members. Call your Representative or Senators' offices and ask for the staff member who handles health issues. Express your views to that person, and ask what your Member's position is. Just call 202-225-3121 and ask for your Member's office. If you do not know the name of one of your Members, the operator will tell you.

Visit with your Members or staff. Members of Congress will usually make every effort to meet with constituents, either in the home district or in Washington, DC. Call either office and ask to make an appointment. Washington, DC staff often have considerable influence over a Member, so do not pass up an opportunity to meet with staff if the Member is unavailable. Make sure to leave a brief fact sheet, and to follow-up with a thank-you letter.

Write letters-to-the-editor. Editors know this is a hot topic and are looking for letters to print. Simple, short letters always have the best chance of being published and are the easiest to write.

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Special thanks to Curtis Allen, John Bloom, Clifford Douglas, Richard Hamburg, Matthew Myers, David Sweanor, and Philip Wilbur for help with this issue.

The American Cancer Society is the nationwide community-based voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives from cancer, and diminishing suffering from cancer through research, education, and service.



Use Taxes to Prevent Children from Smoking

by Jane Harman

Editor's note: Jane Harman, a member of the United States House of Representatives from the 36th district of California, presented the following testimony on cigarette excise taxes at a hearing on the financing provisions of the Clinton Administration's Health Security Act and Other Health Reform proposals before the House Ways and Means Committee, November 19, 1993.

My testimony is autobiographical. It concerns my relationship with my mother, my earliest fan and a major influence in my life.

The last time I saw my mother was August of this year. Her lung cancer and emphysema were advanced. She had lost most of her eyesight, her hair, her sense of balance, and was substantially disoriented. Yet, as always, she held a lighted cigarette in her hand.

She died two weeks later.

How typical is her story? I'm not sure. But she grew up in an immigrant family in New York—a family of modest means. She started smoking in high school at 15. She told me that

when she first inhaled it hurt. But she forgot the discomfort because it was cool to smoke.

Today, three people in each of our districts will die from cigarette smoking, just as my mother did.

And it became a major addiction. All the early photos of her showed her with a cigarette in her hand. She was rarely without one. Usually she smoked three packs a day, and the house I grew up in reeked of cigarette smoke. My father, a medical doctor, is now down to an occasional cigarette, but he smoked too.

No one spoke of health risks though my brother and I knew it was a habit we would never adopt.

When the health risks were known, and especially after my mother's cancer was diagnosed, her addiction seemed to increase. She smoked

until shortly before she died.

If my mother had grown up today in California—with its cigarette excise tax dedicated to smoking prevention—the studies tell us she would be less likely to take up smoking than when she was young.

And if my mother were to have grown up in today's Canada, where the cigarette taxes are more than \$3 per pack and Canadian teenage smoking has fallen by more than 60% from a decade ago, chances are very good that she would never take up smoking.

My youngest children are 9 and 11. I want them and millions of other American children not to take up smoking when they are 13, 14, or 15.

Without smoking, the epidemiologists tell me my mother would likely have lived another 8 years.

The Committee has already heard a litany of statistics about the dangers of cigarette smoking today. I will just tell you that today and every day, three people in each of our districts will die from cigarette smoking just as my mother did.

Despite all the rhetoric of the past week, NAFTA (the North American Free Trade Agreement) was not a moral issue. This is. ☹

A Tax That's Good for You by C. Everett Koop

Health-related taxes are different." That's what President Clinton said when he suggested a hefty cigarette tax—perhaps as much as \$2 a pack—as one of the ways to pay for the health care reform that most Americans know we need. He's right.

A cigarette tax is different because it helps almost everyone. A substantial cigarette tax would benefit not only the entire nation by helping to provide more accessible health care at a lower cost, but it would also benefit particular groups; smokers would benefit because it would help them to quit; nonsmokers would benefit because the air they breathe would have less harmful smoke; children would benefit because fewer kids would get hooked on cigarettes; and—if the tax is done right—even tobacco farmers could benefit. The only real losers would be the tobacco industry, which has made its profits by lying to the American people about the dangers of smoking.

But the tobacco industry lobbyists are pressuring the President to back down, to settle for a cigarette tax as low as 50 cents, and they're linking arms with tax opponents in Congress to defeat this critical part of health care reform. Now, more than ever, President Clinton needs to remember his own words—for cigarette taxes are different indeed.

Cigarette taxes are different because they are the most effective way to discourage tobacco use among young people. In Canada, where cigarette taxes have been raised to more than \$3 per pack, youth smoking rates have dropped by 60% since 1980.

Cigarette taxes are different because cigarettes kill more than 400,000 Americans each year, and rob our economy of \$68 billion a year in health care costs and lost productivity. Increasing the cigarette tax could be one of the most important public health measures this country has ever taken. Experts predict that a \$2 per pack increase would persuade millions of young people not to start smoking and would help millions of current smokers to quit. About 7.6 million Americans would choose not to smoke because of the tax.

Figuring that smoking kills about a third of all those who smoke, this tax could prevent the premature death of at least 2 million Americans alive today. No other single aspect of any health care reform plan can make so dramatic a claim. Let's not lose this unique opportunity to prolong those 2 million lives just to please the tobacco industry and its friends in Congress.

Senators and congressmen should be happy to find a tax that is actually popular. Polls show that almost 80% of Americans—Republicans and Democrats, young and old, men and

women—support a large cigarette tax. So those members of Congress elected on a "no new taxes" pledge can go along with this one. Cigarette taxes are indeed different.

Even tobacco farmers could benefit from the new cigarette tax if it is as hefty as once planned. Most tobacco farmers know the right and smart thing to do is to get out of a business that produces disease, disability, and death, and this tax can help them make the transition to the smoke-free society and smoke-free economy that lie in our future. A small percentage of the revenue from this tax could be returned to tobacco-growing states to be used to help tobacco farmers diversify. Instead of blindly opposing the \$2 cigarette tax, tobacco-state members of Congress should be fighting for their share of the pie to help move their states into the economy of the 21st century.

President Clinton says he wants dialogue on the health care reform package, and that should eventually produce the plan the nation needs. But there's already one issue on which almost everyone agrees—a major cigarette tax. Let's not let the tobacco industry make victims of the public on this one. Health-related taxes are different; they're good for you. ☺

C. Everett Koop, MD, was surgeon general from 1981 to 1989.

This article appeared in the *Washington Post* September 21, 1993.

Tobacco Taxes as a Public Health Measure

by Lynne D. Richardson

I am an emergency physician. One of the things I like best about being an emergency physician is that I frequently encounter situations where I can use my training and experience to save a life. To be able to act to save a life and to know that my failure to act correctly can cause a death is a responsibility I accepted when I chose to become an emergency physician. But it is not only physicians whose actions have life or death consequences.

Congress has an opportunity to save not just one life, as I sometimes do when on duty in the emergency department, or even hundreds of lives, as I might do in the course of my career. By your action, you can save 2 million lives and you can do it without spending a dime of taxpayers' money.

Cigarettes kill 419,000 Americans each year and addict an average of 3,000 new smokers each day. An overwhelming majority of these new tobacco addicts are in their adolescent years. When used as intended, cigarettes kill more than one of three

long-term users. Smoking is a major cause of heart disease, lung cancer, mouth and throat cancer, emphysema, chronic bronchitis, chronic obstructive pulmonary disease, low birth weight babies, strokes, and a variety of other diseases. Tobacco is a leading cause of preventable deaths, responsible for almost 20% of all deaths.

An increase in the federal excise tax is good health policy. The President's proposal to raise the cigarette excise tax by 75 cents would save 900,000 lives over time by decreasing the number of people who use tobacco and, therefore, die from tobacco-related diseases.

The opportunity also exists to save an additional 1 million lives if the tobacco tax is raised by \$2 per pack. This level of taxation would reduce the number of people who smoke by over 7.5 million and would prevent roughly 2 million premature tobacco-caused deaths over time. Each additional 25 cents of taxation beyond the proposed 75-cent increase will save approximately 200,000 lives.

Taxing tobacco is fair and is good public health policy. These taxes will:

- deter millions of children from starting to smoke and encourage many current smokers to quit;
- promote public health, save lives, and raise revenue.
- help pay for higher medical expenditures incurred through tobacco use.

Substantially increasing tobacco prices is the single most effective tool in reducing tobacco use, particularly among children and youth. However, over the past 40 years, the federal tax has been raised by a total of only 16 cents and in real dollar terms, is lower today than before we knew about the health effects of tobacco use. The tax on cigarettes has actually decreased to about 26% of the retail price (including federal, state, and local levies), from 48% in the mid-1960s.

By contrast, in other industrialized countries, the cigarette tax rate is over 66% of the total price (see page 12). By failing to keep pace, our tax policy has actually helped to encourage more people to smoke.

Over the past 10 years, our neighbors in Canada have used tax policy to secure great advances in tobacco control. According to a June 1993 report from the Canadian Department of Finance, from 1980 through 1991, federal excise levies on tobacco increased by more than 550%, whereas provincial taxes rose by more than 500%. These tax increases have had the greatest effect on youth. In 1981, 45% of Canadian male teenagers smoked, compared with 22% in 1989, a more than 50% decrease in consumption. From 1981 to 1991, overall Canadian tobacco consumption decreased by 36%. At the same time, tax revenues increased from \$2 billion to \$7.1 billion (see page 7).

Lynne D. Richardson, MD, FACEP is Associate Chief of Emergency Services at Harlem Hospital and Assistant Clinical Professor of Medicine at Columbia University College of Physicians and Surgeons, New York City. She presented this testimony on behalf of the Coalition on Smoking OR Health at a hearing on the financing provisions of the Administration's Health Security Act and Other Health Reform Proposals before the Ways and Means Committee of the US House of Representatives, November 19, 1993.



The cost of tobacco use has continued to climb. The Congressional Office of Technology Assessment recently found that in 1990 the total cost of smoking to the US economy was \$68 billion, or \$2.59 per pack of cigarettes. Raising the cigarette excise tax by \$2 per pack would begin to more closely reflect the costs of this product to society.

If there was a legislative proposal for a preventive health program that would save 2 million lives, I would support its enactment if it cost \$20 billion. To enact a program that will save 2 million lives and raise over \$20 billion in revenue seems to me to be a compellingly attractive proposition.

We commend President Clinton for recognizing the health reasons for increasing the excise tax on tobacco products. While we urge you and President Clinton to increase the tax on cigarettes by \$2 a pack, President Clinton's proposal points us in the right direction.

Misconceptions about Tobacco Taxes

The tobacco industry vehemently claims that the tax will hit lower socioeconomic groups hardest. Yet, data compiled by the US Department of Agriculture show that the tobacco industry's own pricing policies are far more harmful to the pocketbooks of the poor than tobacco tax policy. The industry has raised the price of

cigarettes more than 10% per year, on average, for more than a decade.

And where does this money go?

Congress can save 2 million lives without spend- ing money.

Ten years ago, tobacco farmers received 7% of the tobacco dollar. Today, a mere 3% benefits tobacco farmers, while over 50% goes directly to the manufacturer, generating the excessive profits needed to finance the \$4 billion in advertising and promotion each year, a disproportionate share of which is targeted to women, children, and minorities.

Further, a significant increase in the tax, by \$2 per pack, would decrease consumption by an estimated 23%, even higher in lower socioeconomic communities, freeing up much needed disposable income in those cases. The real impact of smoking on lower socioeconomic groups is the higher rates of death and disease resulting from their continued addiction to tobacco, fostered by targeted industry advertisement campaigns.

Individuals living in lower socioeconomic communities, those whom

the tobacco industry claims would be most affected by a tobacco tax increase, can least afford the health care costs associated with tobacco use and are the most underserved by the current health care system. According to an August 1993 report by the National Cancer Institute, the burden of illness and death caused by smoking is borne disproportionately by those lower income groups that often have the least access to medical care, smoking cessation programs, and information about cessation.

Another myth is the minority community's lack of support for a \$2 increase in cigarette taxes. According to a recent poll commissioned by the American Cancer Society, African-American voters (63%) are nearly as likely as white voters (66%) to support a \$2 increase.

The same poll found that Hispanic voters (71%) are more likely than white voters (66%) to support the tax. Further, a majority of low-income voters (people earning less than \$20,000) would favor a \$2 increase as well. Perhaps they know that tobacco use is responsible for 48,000 African-American deaths each year and that the lung cancer rate for African-Americans was 2.3 times higher than for whites from 1980-87.

In conclusion, substantially increasing taxation on tobacco products is sound public policy and an

Benefits of Tobacco Tax Increases

Size of Tax Increase	\$.75	\$1.00	\$1.50	\$2.00
Number Fewer Smokers	3.7 million	4.5 million	6.2 million	7.6 million
Lives Saved	900,000	1.1 million	1.5 million	1.9 million
New Revenue/Year	\$11 billion	\$14 billion	\$19.2 billion	\$25 billion

Source: Coalition on Smoking OR Health

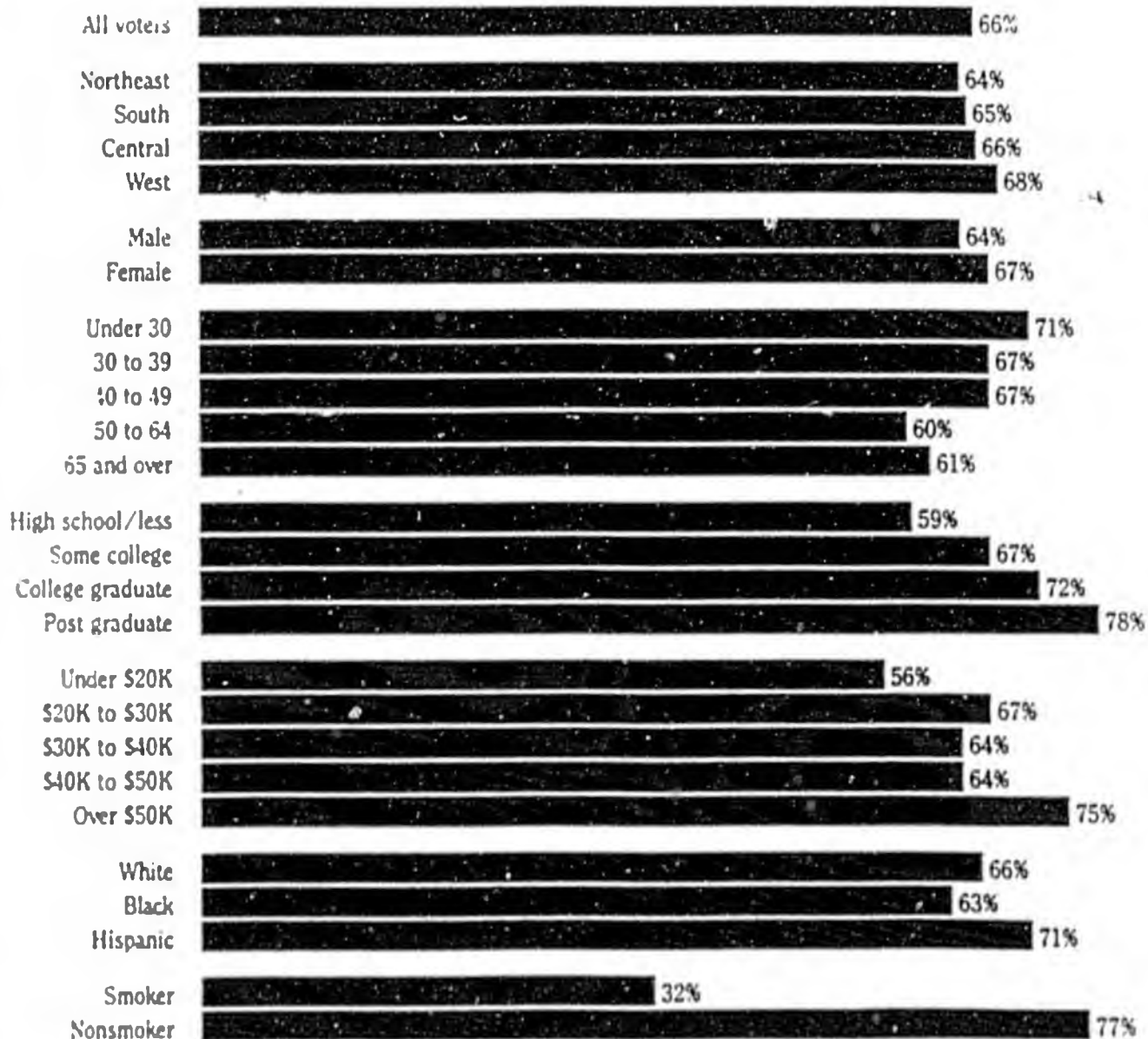


effective method of reducing consumption of tobacco products. It is an effective public policy tool for significantly reducing death and disability from various forms of cancer, cardiovascular disease, and stroke.

The American Cancer Society, the American Heart Association, and the American Lung Association and many other groups urge the Congress to raise the cigarette tax by \$2 per pack, an increase that will save nearly

2 million lives and raise well over \$20 billion each year. We also urge you to adopt the President's proposal to equalize the tax on chewing tobacco, snuff, and other tobacco products with the tax on cigarettes. ☺

Support for Cigarette Tax by Demographic Group



How Tobacco Tax Increases Affect Revenue

by David Sweanor, Luc Martial, and John Dossetor

Rarely do advocates for public health have an opportunity to propose a measure that will improve the community's health and bring in revenue at the same time. So the claim that taxes on tobacco products can greatly reduce future tobacco-related death and disease while simultaneously generating vast sums of money is often greeted with kepticism.

Questions about how taxes can both reduce sales and increase revenue are sometimes earnestly asked by interested politicians, government researchers, or reporters. At other times, the matter is raised by tobacco lobbyists as a way of spreading confusion. In either case, the evidence is worth reviewing.

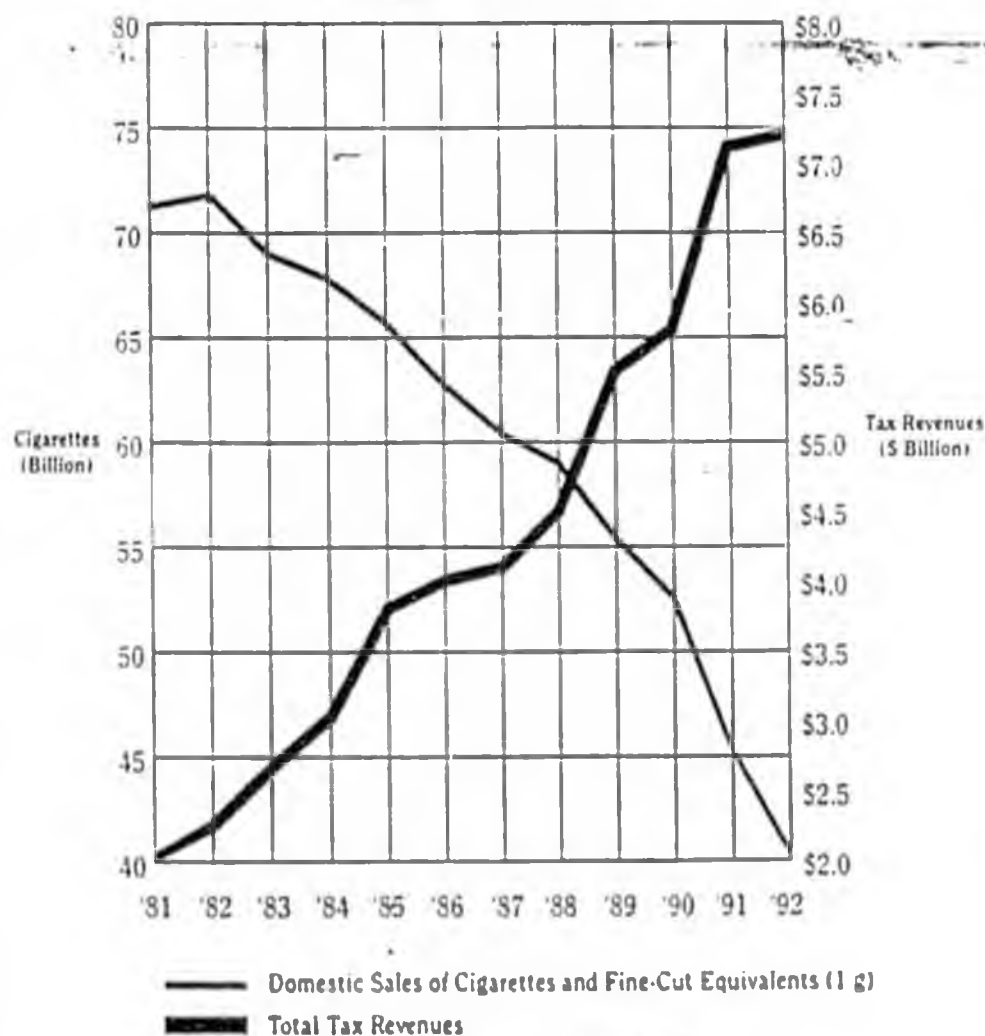
Tobacco use does not decline in the same proportion as the tax increase. Among many developed countries, there are estimates that a 10% price increase results in a 4% sales decline. So for the entire tobacco market, the net effect is that more money gets spent to buy fewer cigarettes, resulting in major health and revenue gains.

Another reason revenue increases are so substantial is that tobacco taxes constitute only one component of the retail price. For instance, a jurisdiction

with taxes constituting 30% of the retail price of cigarettes can increase its taxes by a third to achieve a 10%

price increase. Sales would then fall by about 4%, but each cigarette sold would generate a third more tax

Figure 1. Sales of Cigarettes Versus Tobacco Tax Revenue Canada 1981-1992



David Sweanor is senior legal counsel, Luc Martial, policy analyst, and John Dossetor, associate counsel at the Non-Smokers' Rights Association, Ottawa, Ontario, Canada.

Sources: 1. Statistics Canada, Catalogue 32-022 Monthly; 2. Department of Revenue, Government of Canada.



revenue. Public health is improved and tax revenue is also pretty healthy.

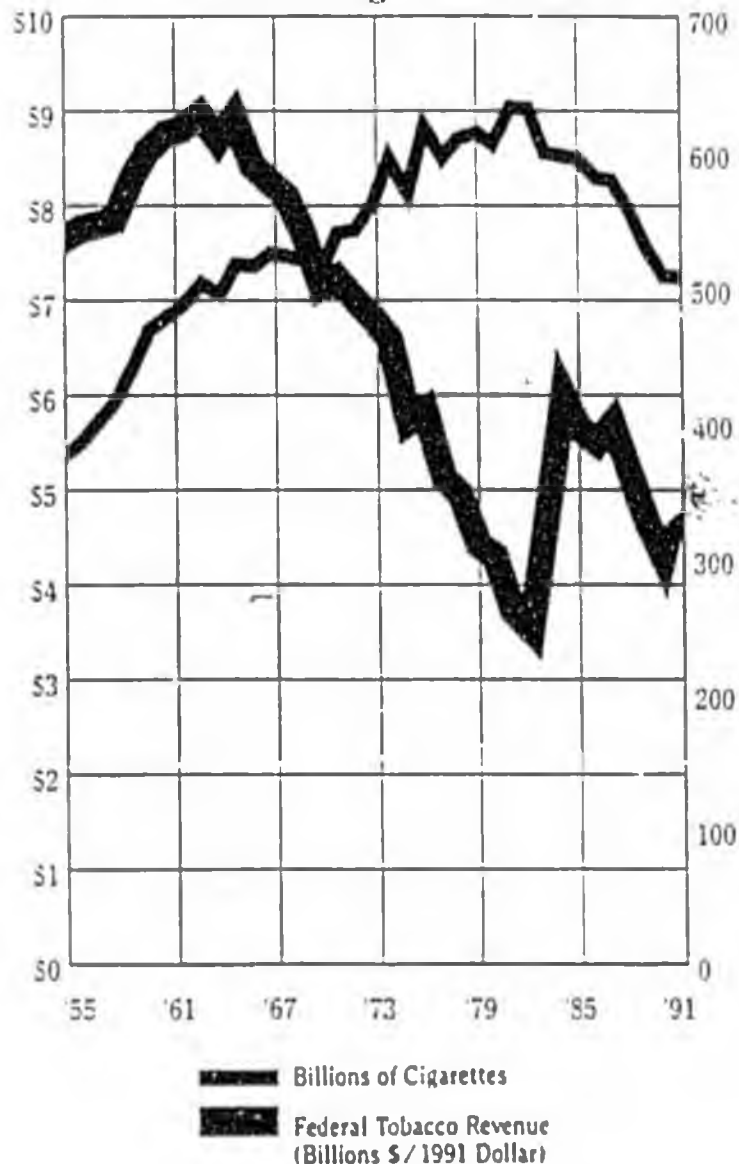
This relationship is illustrated very well by what has happened in Canada, as shown in Figure 1. At the beginning of the 1980s, Canada had a low level of tobacco taxation, similar to that currently found in the United States. Total domestic sales were over 70 billion cigarettes, and governments were generating about \$2 billion per year in taxes from tobacco products. By 1992, after a series of very large tobacco tax increases, the domestic market had plummeted to 40 billion cigarettes. But the higher taxes were generating \$7.2 billion in government revenue.

In the long run, without further tax increases, tobacco revenue can be expected to decline gradually, primarily because fewer young people will become addicted. But there is no reason that governments cannot use tobacco taxes to improve health and simultaneously increase revenue for the foreseeable future.

In fact, the failure to increase taxes will not only work against public health but will shift the burden of taxation to other goods and services as inflation erodes the taxes on tobacco. The United States provides perhaps the best example of this problem. As Figure 2 shows, the inflation-adjusted value of federal tobacco tax revenue was cut by more than half between 1963 and 1990. By not increasing taxes beyond what was already a very low level, the US government allowed the real level of tax to fall, thereby stimulating tobacco consumption and curtailing revenue.

The lessons are clear. Increased tobacco taxes help both revenue and

Figure 2. Federal Tobacco Revenues and Total Cigarette Sales



Sources: *The Tax Burden on Tobacco*, Tobacco Institute, vol. 27, 1993.

health. Failure to increase them hurts both of these goals. In so many other public health campaigns, governments have been urged to spend scarce resources to promote health. But in the case of tobacco tax policy, health advocates are in the fortunate situation of urging governments to take the most

effective action against our leading cause of preventable death and informing them that they will see a net gain in their treasuries for doing so. (33)

Excerpted from *The Canadian Tobacco Tax Experience: A Case Study*, funded by a grant from the Thrasher Research Fund.

Tobacco, Health, and Jobs: Myths and Realities

Does the greatest threat to workers in tobacco manufacturing and growing come from government mandated health measures, like the proposed increase in the excise tax on tobacco products? Will a substantial tax increase devastate tobacco workers or the tobacco growing region? The answer is no.

Much of what has been written about the impact of health measures designed to discourage tobacco consumption on jobs in the tobacco industry is patently false. More tobacco growing and manufacturing jobs have been lost over the past decade as a result of actions by tobacco manufacturers than because of health measures such as excise tax increases.

Another popular misconception is that Price Waterhouse has issued a report projecting the number of jobs that will be lost if tobacco taxes are increased. It did not. Price Waterhouse has produced a projection of the impact of tobacco on the economy. Projections of the impact of an increase in the federal tobacco tax on jobs are entirely the work of the Tobacco Institute.

Myth: 2.3 million jobs in the United States depend on continued tobacco consumption at current levels.

Reality: Of the 2.3 million jobs claimed by the tobacco industry to depend on tobacco, only 259,616,¹ or 11%, are actually involved in growing, warehousing, manufacturing or wholesaling tobacco products.

- 1.6 million of these jobs have no involvement with growing, warehousing, manufacturing, supplying or selling tobacco products; that is, they are not in and do not serve the tobacco industry.¹

Of those who the tobacco industry states sell tobacco products at the retail level, few depend exclusively on the sale of tobacco products.²

Myth: Jobs in tobacco growing and manufacturing have declined over the last 10 years because health concerns have caused decreased tobacco production.

Reality: Cigarette production has actually increased over the past decade, but tobacco related jobs have fallen dramatically due to actions taken by the major manufacturers.

- The number of cigarettes manufactured in the United States increased during the 1980s due largely to growth in the export market.

Number of Cigarettes Manufactured in the United States³

1983—667.00 billion

1991—695.00 billion

However, even as cigarette production rose, both manufacturing and farming jobs have been lost.

- **Tobacco Manufacturing Jobs⁴ Have Decreased By 29%:**

1982—68,700 jobs

1992—49,100 jobs

19,600 jobs lost

- **The Number of Tobacco Farms⁵ Have Declined by 23%:**

1985—179,000 tobacco farms

1992—137,000 tobacco farms

42,000 fewer tobacco farms

The primary cause of job loss over the past decade has been decisions by manufacturers and not government-mandated health measures. Declines in manufacturing result from increased mechanization. Declines in tobacco growing are caused by the increased use of imported tobacco by American manufacturers.

Myth: The financial health of the tobacco farm economy rises and falls in unison with the tobacco manufacturing sector.

Reality: Over the past decade, tobacco manufacturer profits



and revenue have risen dramatically while farmers have not shared in their prosperity.

- Between 1982 and 1991, tobacco manufacturers' revenue rose from \$13 billion to \$32 billion; the IRS reports that between 1981 and 1987 tobacco manufacturers' net income (profit) rose from \$2.3 billion to \$4.4 billion. At the same time, the tobacco crop value to farmers actually decreased.⁶
- Between 1980 and 1991, the tobacco farmers' share of the retail tobacco dollar fell from 7% to 3%, while the tobacco manufacturers' share rose from 37% to 50%.⁷

Myth: An increase of one to two dollars in the tax on tobacco products will result in the loss of hundreds of thousands of jobs in the US economy.
Reality: An increase in the tobacco tax will significantly affect only a fraction of the jobs the Tobacco Institute says are at risk and will create many new jobs. Few jobs will be lost and many lives will be saved.

- Money not spent on tobacco products due to a tobacco tax increase will not disappear from the economy, but will be spent on other goods and services, creating new jobs, perhaps as many as may be lost in the tobacco industry. At worst, the net effect on the total number of jobs will be minimal.
- Two-thirds (or 1.6 million) of the jobs which the Tobacco Institute says are dependent on tobacco and, therefore, at risk, are not in the tobacco industry and thus unlikely to be affected by a tobacco tax

increase. The same is true for the jobs of those who sell tobacco at the retail level or supply materials to the industry, because only a fraction of their business depends on tobacco.

- Tobacco industry estimates of the impact of any proposed tax increase on consumption are grossly inflated. They also fail to take into account recent price decreases and the number of cigarettes exported.
- There are only 259,616 jobs involved in growing, warehousing, manufacturing, supplying, and selling tobacco products. Jobs in these fields have declined and will continue to decline even if no tax increase is enacted.
- The economic impact of a tobacco tax increase would be fairly small as a share of total economic activity even in tobacco growing areas because these regions, particularly

in North Carolina, have become less dependent upon tobacco and more diversified.⁶

- Tobacco causes death and disease, which seriously harms the economy. A reduction in tobacco use will improve productivity, reduce health care costs, and guarantee additional economic activity.⁸

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Taxes in the United States by Peter Fisher

All 50 states, the District of Columbia, and a few local jurisdictions impose an excise tax on cigarettes. State taxes range from a high of 60 cents per pack in Hawaii (65 cents in Washington, DC) to a low of 2.5 cents per pack in Virginia. Washington state's tax, currently at 54 cents per pack, is scheduled to rise to 75 cents by 1996.

Several states raised their cigarette taxes in 1993, including Connecticut, Hawaii, Illinois, Missouri, New Mexico, New York, North Dakota, Oregon, Rhode Island, and Washington. By contrast, it has been almost 30 years since the tax increased in Virginia.

The federal tax on cigarettes now stands at 24 cents per pack, but President Clinton has proposed an increase to 99 cents in his health care plan. In addition, the President has proposed increasing the tax on smokeless tobacco products to an amount equivalent to that on cigarettes.

Forty states also tax smokeless products, most often based on the wholesale price. Illinois was the most recent state to enact a tax on these products, 20% of the wholesale price. Missouri also instituted such a tax for the first time in 1993, 10% of the wholesale price.

With increased awareness of the public health benefits of higher tobacco taxes, and the continued dire fiscal straits of most states, the recent trend toward larger increases should continue.

Although a federal tax increase would initially produce lower revenues for the states, raising taxes at the state level could offset such a decline. Even with the resultant lower consumption, there is plenty of leeway for more and

larger increases at the state level, thus saving lives and raising revenue.

For further information about

state and local tobacco taxes, contact Peter Fisher at the Coalition on Smoking OR Health. ☺

Taxes on Cigarettes and Smokeless Tobacco in the United States

	Tax on Cigarettes (in cents)	Year of Most Recent Increase	Tax on Smokeless Tobacco
Federal	24	1995	8¢ per pound
Alabama	16.5	1984	Tax based on weight †
Alaska	29*	1989	25% of wholesale price
Arizona	18	1991	\$.02/ounce
Arkansas	31.5	1993	25% of mfr. price
California	37	1993	26.82% of wholesale price
Colorado	20	1986	20% of mfr. price
Connecticut	47	1992	20% of wholesale price
Delaware	24	1991	15% of wholesale price
Dist. of Columbia	65	1993	None
Florida	33.9	1990	25% of wholesale price
Georgia	12	1971	None
Hawaii	60	1993	40% of wholesale price
Idaho	18*	1987	35% of wholesale price
Illinois	44	1993	20% of wholesale price
Indiana	15.5	1987	15% of wholesale price
Iowa	36	1991	22% of wholesale price
Kansas	24	1985	10% of wholesale price
Kentucky	3*	1970	None
Louisiana	20*	1990	None
Maine	37	1991	50% of wholesale price
Maryland	26	1992	None
Massachusetts	51	1993	50% of wholesale price
Michigan	25*	1988	None
Minnesota	48*	1992	35% of wholesale price
Mississippi	19	1985	15% of mfr. price
Missouri	17	1993	10% of mfr. price
Montana	18	1990	13.38% of wholesale price
Nebraska	34*	1993	15% of wholesale price
Nevada	20	1989	30% of wholesale price
New Hampshire	25	1990	20.1% of wholesale price
New Jersey	40*	1990	24% of wholesale price
New Mexico	21*	1993	25% of wholesale price
New York	56	1993	15% of wholesale price
North Carolina	5	1991	2% of wholesale price
North Dakota	44	1993	28% of wholesale price
Ohio	24	1992	17% of wholesale price
Oklahoma	23	1987	30% of wholesale price
Oregon	33	1993	35% of wholesale price
Pennsylvania	31	1991	None
Rhode Island	44	1993	20% of wholesale price
South Carolina	7	1977	36% of wholesale price
South Dakota	23	1985	None
Tennessee	13	1969	6% of wholesale price
Texas	41	1990	35.21% of mfr. price
Utah	26.5	1991	35% of mfr. price
Vermont	17	1993	20% of distributor price
Virginia	2.5	1966	None
Washington	54	1993	64.9% of wholesale price
West Virginia	17	1978	None
Wisconsin	38	1992	20% of wholesale price
Wyoming	12	1989	None

* Portions of tax earmarked to health and cancer-related programs.

† Chewing tobacco: 1¢ cents; snuff or fraction thereof. Snuff: based on weight.

Source: Tobacco-Free America Legislative Clearinghouse, Washington, DC; State Departments of Revenue; Bureau of Tobacco and Miscellaneous Taxes.

Taxes Around The World

Taxes and Average Retail Selling Price For a Pack of 20 Cigarettes*

	Total Taxes American \$	Av. Retail Price American \$	Total Tax Incidence
CANADA (highest province) (Dollar)	\$3.59	\$4.99	72%
DENMARK (Krone)	\$3.56	\$4.20	85%
NORWAY (Krone)	\$3.24	\$4.75	68%
CANADA (av. of provinces) (Dollar)	\$2.94	\$4.27	69%
UNITED KINGDOM (Pound)	\$2.72	\$3.56	76%
IRELAND (Punt)	\$2.62	\$3.44	76%
SWEDEN (Krona)	\$2.56	\$3.50	73%
CANADA (lowest province) (Dollar)	\$2.51	\$3.80	66%
FINLAND (Markka)	\$2.27	\$3.06	74%
GERMANY (Mark)	\$2.13	\$2.99	71%
NEW ZEALAND (Dollar)	\$1.96	\$2.90	68%
FRANCE (Franc)	\$1.80	\$2.40	75%
NETHERLANDS (Guilder)	\$1.78	\$2.47	72%
BELGIUM (Franc)	\$1.75	\$2.39	73%
HONG KONG (Dollar)	\$1.50	\$2.78	54%
AUSTRALIA (Victoria) (Dollar)	\$1.42	\$2.38	60%
ITALY (Lira)	\$1.25	\$1.73	73%
JAPAN (Yen)	\$1.24	\$2.08	60%
LUXEMBOURG (Franc)	\$1.23	\$1.82	68%
PORTUGAL (Escudo)	\$1.21	\$1.54	79%
SWITZERLAND (Franc)	\$1.08	\$2.16	50%
UNITED STATES (highest state) (Dollar)	\$1.02	\$2.33	44%
ARGENTINA (Peso)	\$0.96	\$1.36	70%
GREECE (Drachma)	\$0.82	\$1.18	69%
TAIWAN (Dollar)	\$0.62	\$1.31	47%
UNITED STATES (Av. of states) (Dollar)	\$0.56	\$1.89	30%
KOREA (Won)	\$0.45	\$0.74	60%
SPAIN (Peseta)	\$0.45	\$0.67	66%
UNITED STATES (lowest state) (Dollar)	\$0.34	\$1.73	20%

* As of September 24, 1993. Source: Non-Smokers' Rights Association, Canada.

Taxing Other Tobacco Products *by Gregory N. Connolly*

The Clinton Administration has proposed equalizing taxes for smokeless tobacco, cigars, and smoking tobacco with the tax on cigarettes. The Administration's proposal should be supported because lower taxes on smokeless tobacco will result in many smokers switching from cigarettes to smokeless tobacco and many youngsters who would not take up snuff, dipping or chewing tobacco instead.

Use of oral snuff has already soared among young males in response to a sophisticated marketing campaign, and the most effective tool to curb use among youth is higher taxes. Moreover, the new tax will generate significant revenue to finance health care reform.

Before 1965, chewing tobacco and oral snuff were subject to a federal excise tax of 10 cents per pound. But in 1966, Congress repealed the tax, citing the decline in consumption of these products and disproportionate use by low-income persons.

In 1985, after a surge in smokeless tobacco use by teenage boys, Congress re-levied the tax on oral snuff at 24 cents per pound and on chewing

tobacco at 8 cents per pound. These rates represented a 1.8 cent tax per 1.2-ounce tin of snuff and a 1.5 cent tax per 3-ounce pouch of chewing tobacco.

The Chairman of the Senate Finance Committee stated that he would consider raising the tax again once the pending surgeon general's report on smokeless tobacco confirmed whether the product caused mouth cancer. Although the 1986 Surgeon General's Report concluded that smokeless tobacco caused cancer, Congress did not raise the tax.

Today, the tax on a tin of oral snuff is 2.7 cents and on a pouch of chewing tobacco, 2.3 cents, one-eighth the tax on a pack of cigarettes. The current tax will generate an estimated \$28.5 million in 1993 of which \$20 million will come from snuff (55.2 million pounds), and \$8.5 million from chewing tobacco (72 million pounds).

From 1980 to 1989, consumption of moist snuff increased by 57%, from 26.7 million pounds to 41.9 million pounds. Almost three-fourths of a

billion tins of snuff are sold annually. Consumption of chewing tobacco fell 12% during the same time, from 72.3 million pounds to 63.5 million pounds. Between 1970 and 1985, the use of the moist snuff increased by 30% among all Americans, but eightfold in the 17- to 19-year-old group.

Such an increase did not occur by accident, but as the result of a carefully crafted marketing strategy by tobacco companies, which use extensive point-of-purchase displays, wide distribution of free samples, and sponsorship of sports and cultural events. Skoal and Copenhagen, two brands manufactured by the United States Tobacco Company (UST), account for 90% of this increase in sales.

In 1983, to promote an easy-to-use teabag of snuff, UST introduced Skoal Bandits with a cartoon character, saying, "Take a pouch instead of a puff." The "Bandit" is a low-nicotine teaching tool that allows novices to develop tolerance to the toxic effects of the nicotine. Once a "taste" is acquired, new dippers gradually move

Changes in Tobacco Consumption 1985-1991

	Cigarettes* (Packs)	Moist Snuff* (Tins)	Chewing Tobacco* (Pouches)
1986	28,044	480	399
1991	24,201	616	363
%	-14%	+28%	-9%

* In millions.

Gregory N. Connolly, DMD, MPH, is director of the Massachusetts Department of Health's Tobacco Control Program. This article is excerpted from his testimony on behalf of the American Public Health Association and the American Dental Association before a hearing of the House Ways and Means Committee on the Health Security Act, November 18, 1993.



to the more potent and addictive brands.

The campaign has been successful. Of the estimated 10 million American users of smokeless tobacco, 3 million are under the age of 21 years. The 1990 Youth Risk Behavior Survey found that 24% of all white male high school students used smokeless

Smokeless But Not Harmless

Smokeless tobacco is not a safe alternative to cigarettes. Oral snuff, the most popular form of smokeless tobacco, is a finely ground tobacco held in the mouth next to the cheek and gum. It causes mouth cancer, gum recession, and other oral problems. A North Carolina study found that long-term users of oral snuff were 50 times more likely than nonusers to develop mouth cancer, a devastating disease that results in the loss of portions of the face and jaw. Each year 30,000 Americans develop mouth cancer, and 10,000 die from the disease. More than 40% of patients are dead within five years of diagnosis.

Use of oral snuff also causes breakdown of the gum tissue where the tobacco is held. Treatment of this problem can be painful and expensive.

Cancer-causing chemicals contained in oral tobacco include:

- Polonium 210, a radioactive particle
- Benzopyrene
- Nitrosamines, at levels 20,000 times greater than that allowed in food

Both oral snuff and chewing tobacco (cut-leaf tobacco that is chewed) contain nicotine, the drug that makes them addictive. The amount of nicotine in a tin of snuff or pouch of tobacco is 2½ times greater than that in cigarettes, making oral tobacco a very cheap source of nicotine.

tobacco at least once during the past month. A 1989 National Collegiate Athletic Association (NCAA) survey of college athletes found a 40% increase (from 20% to 28%) in the use of smokeless tobacco from 1985 to 1989. Among NCAA baseball players, an alarming 57% use smokeless tobacco.

While cigarette consumption has fallen 24% from 1982-1991, unit sales of oral snuff have increased 60%. In 1991, approximately 700 million tins of oral snuff were sold at an estimated cost of \$1.86 per tin for an estimated retail market value of \$1.3 billion, including taxes. The unit price is similar to a pack of cigarettes, \$1.71 per package in 1991. During that year, approximately 400 million pouches of plug chewing tobacco were sold at an estimated \$1.40 per pouch with an estimated retail value of \$560 million. Total smokeless tobacco sales are estimated to be \$1.86 billion for 1991.

Thirty-four states tax spit tobacco using a fixed percentage of wholesale or manufacturers' price at an average of 26%, slightly less than their rate on the manufacturers' price of cigarettes, 31%. Two states tax on weight. (See page 11.) Thirty-six states realized \$190 million in taxes in 1991 on all tobacco products other than cigarettes; this amount represented 4% of their total tobacco taxes. Unlike the federal government, these states tax spit tobacco on a basis equivalent to cigarettes. States that don't tax spit tobacco generally have very small cigarette excise taxes.

If the Administration's proposed increase in the tax on smokeless tobacco products is enacted, we can expect 1.3 million current users of these products to quit. The estimate of fewer users is based on a 2.6% decrease in the number of smokeless

users for every 10% increase in the price, a formula taken from research on cigarette smokers. Should manufacturers lower their prices as they recently have on cigarettes, fewer users will quit.

And, the tax would bring in \$750 million in new revenue.

In summary, the tax on all tobacco products should be raised significantly to finance health care reform, and we support the Administration's proposal to do so. All tobacco should be taxed equally and adjustments are needed for the proposed rates on snuff and chewing tobacco. ☺

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Using Media Advocacy to Win Massachusetts Cigarette Tax Hike

Editor's note: In Massachusetts, as in several other states, citizens can bypass the legislature by drafting a bill and gathering petitions to place it on a statewide ballot. Voters then decide whether the initiative will become law. Last year, the Massachusetts Division of the American Cancer Society led the effort to pass Question 1, an initiative that would raise the tobacco tax by 25 cents and recommend that the new funds generated from the tax be spent on a tobacco education program.

Taking an issue directly to the voters can avoid the pervasive influence of the tobacco industry on state lawmakers. But the tobacco industry can use its money to woo voters, too. Not being able to outspend its opponent, the American Cancer Society decided to turn this disadvantage into a strength and launched a strategically superior media advocacy campaign. Following are highlights of that campaign:

Although many observers tend to equate media campaign with paid (mostly television) advertising, the American Cancer Society's media effort relied heavily on so-called free media, generated by an aggressive public relations effort.

While the tobacco industry had almost unlimited resources—the industry's Committee Against Unfair Taxes spent about \$9 million during the campaign, about \$1.8 million of

that for paid advertising—the campaign had a comparatively modest budget of less than \$1 million. About \$300,000 could be spent on paid advertising—a fact which raised fears that the tobacco industry would overwhelm the American Cancer Society's message in an all-out TV ad blitz.

To counterbalance the expected pro-tobacco advertising edge, the campaign moved early to secure the editorial support of major news organizations around the state. Several months before the election, campaign leaders began meeting with editorial boards of major newspapers and television and radio stations, presenting their arguments for Question 1 and requesting fair coverage of campaign events as well as editorial support.

Particular attention was paid to the state's dominant newspaper, the *Boston Globe*. With a readership of about 40% of the state's voters, the *Globe* can have a major impact on virtually any statewide campaign. If the paper were to devote a significant amount of space to covering the Question 1 campaign, that exposure would go a long way toward offsetting the effects of the tobacco industry's advertising effort.

Campaign leaders also met with the editorial board of the *Boston Herald* and the daily papers in other major cities. The results were positive.

"Overall, the papers were tremendously interested in what we were doing," says Candace Pierce-Lavin, who managed the campaign. That intense interest was reflected in news coverage—free media—that allowed the campaign's message to reach a larger audience than would have been possible through paid advertising alone.

To receive news coverage, however, the campaign had to work at generating real news. The campaign held news conferences tied to key events; the events always stressed the broad-based support for Question 1 and provided the press with a specific news peg, such as the record-breaking number of signatures the campaign had gathered. The campaign also publicized major endorsements, such as the one from former surgeon general C. Everett Koop.

Along the way, the campaign used its share of gimmicks, including a Kids Press Conference that featured a parade of youngsters and an old-fashioned political campaign rally. Most of these events received fairly good news coverage, as did the campaign-supplied weekly updates of the enormous sums of money the tobacco industry was spending.

The campaign designated a team of speakers led by Dr. Blake Cady, Division president, to debate the tobacco industry's spokesmen in as many public forums as possible. These



debates received solid media coverage that likewise helped offset the opposition's enormous advertising advantage.

Throughout the campaign, the tobacco industry's chief spokesman was Jack Flood, a former state representative and past chairman of the legislature's Taxation Committee. Although Flood enjoyed credibility with the public on tax-related issues, the campaign continually stressed that he was being paid by the tobacco industry for all his debates and public appearances—a fact that greatly reduced his credibility on the issue at hand.

Cady and Flood crossed swords several times. By the campaign's end, Flood's association with the tobacco industry had significantly hurt his ability to sway an audience—or the attendant reporters.

The industry also suffered from the controversy that arose when it was revealed that a political activist who helped the ACS during its signature drive had been hired to handle media work by the Committee Against Unfair Taxes. The coalition seized on every

such opportunity to attack the opposition's credibility — and, by contrast, to enhance its own.

A final element of the campaign's media effort was emphatically nontraditional: an effort to jawbone major television outlets into reducing the amount of airtime they would sell to the well-moned opponents of Question 1. Arguing that the public interest would be hurt if the tobacco industry were allowed simply to "buy" the election, campaign leaders asked the general managers of Boston television stations to limit the number of industry-sponsored ads they would air.

Given the sour economy—which had already caused painful cutbacks at all the Boston stations—it's not clear that such an appeal to good government instincts would ever have been totally successful. But the campaign, wary about pressing the issue too sharply and risking a public confrontation that might have created bad publicity, did not wage an all-out pressure campaign.

The Coalition's limited effort did yield some results: one Boston station imposed a firm limit on the purchase

of airtime related to Question 1, and another provided a substantial number of free airings for the Coalition's Vote Yes on Question 1 commercial. Nonetheless, the tobacco industry still enjoyed a significant advantage in commercial airtime for its ads, an advantage it would use to narrow the Coalition's considerable lead in the public opinion polls.

Campaign leaders later agreed that the organizers of future campaigns would probably benefit from taking a consistently hard-nosed approach in battles over television time.

At every opportunity, the pro-tobacco Committee Against Unfair Taxes sought to take advantage of public cynicism about the politicians on Beacon Hill. The central theme of the tobacco industry's campaign stressed that the money raised from the increased cigarette tax could not legally be earmarked for tobacco control. Because these funds were "subject to appropriation by the legislature," Flood and others maintained that the taxpayers' money would once again be wasted by the profligate spenders in the State House.

Doonesbury

BY GARRY TRUDEAU



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This anti-tax theme formed the basis of the tobacco industry's first television ad, which concentrated so thoroughly on the tax issue that it never mentioned the words *cigarette* or *smoking*. Clearly the opposition understood that Massachusetts voters heavily favored measures to reduce cigarette consumption; their only chance of victory lay in getting voters to see Question 1 not as a public health issue, but as just another tax hike.

As the campaign progressed, however, the opposition began airing several other commercials, which lacked the tight anti-tax focus of its earlier TV spot.

By contrast, the American Cancer Society campaign continued to hammer away at a few clearly defined strategic themes. The campaign's television commercial, produced by Marttila & Kiley, clearly identified the tobacco industry as the principal opponent of Question 1 and noted the decline in cigarette consumption that followed passage of Proposition 99 in California.

The ad then identified the American Cancer Society as the sponsor of the referendum question and asked voters, "So— who are you going to vote for?" The tag line, "Question 1. It's about saving lives" also framed the issue clearly in terms of public health.

The ad—which opened with a striking montage of cigarette packages arranged as tombstones—proved both memorable and effective. A tracking poll taken two weeks after the commercial's debut found that 40% of the state's voters remembered it, an extremely high percentage given the severely limited airtime the campaign had been able to purchase.

Still, the campaign's leaders knew that they could not rely on TV



advertising alone to carry home their message. The month before election day, campaign officials held another round of editorial board meetings, soliciting pre-election endorsements. An overwhelming majority of the state's news organizations (including the same stations that refused to curtail their sales of airtime to the opponents of Question 1) did come out in favor of the referendum's passage.

Coupled with continuing appearances by Cady and the other ACS speakers on the talk show circuit, as well as widespread distribution of the campaign's brochure, the media endorsements helped bring the campaign's message to a wide audience. So too did a grassroots effort to provide local visibility with volunteers holding roadside signs and other campaign gear.

But the opposition's ad blitz, despite its lack of focus, unquestionably had an effect. By mid-October, tracking polls showed support for Question 1 had dropped to 58%.

Two days before the election, at the urging of John Marttila and Tom Kiley, the campaign took out a full-page ad in most of the state's daily newspapers, which ran the day before the election. This ad, which portrayed the



Arnel, The State, Columbia, SC

referendum campaign as a fight between the American Cancer Society and the tobacco industry and documented the effectiveness of the cigarette tax hike in California. The ad also carried a long list of individuals and groups that had endorsed Question 1, to stress the broad-based nature of the campaign's support.

The same day, a major insurance company in the Coalition took out its own ad in several papers, also urging support of Question 1. For good measure, the campaign ran its full-page ad again on Election Day in a number of big city dailies.

The total cost of the campaign's print advertising blitz was almost \$100,000. With the race closing rapidly, this proved to be money well spent.

Final returns showed the voters of Massachusetts approved Question 1 by a margin of 54% to 46%. In the end, the backers of Question 1 had been outspent but not out-campaigned: they made their case directly to the people of Massachusetts, and the voice of the people rang out loud in agreement. ☐

Excerpted from *Raising the Tobacco Tax: The Campaign for Question 1 in Massachusetts*, prepared for the American Cancer Society by the staff of Marttila & Kiley, Inc., Boston, MA.

Raising Cigarette Taxes in a Tobacco Growing Jurisdiction

by David Sweanor, Luc Martial, and John Dosselor

Because Canada grows more tobacco per capita than the United States, the tobacco farmers can be a powerful lobby, particularly in Ontario where the vast majority of Canada's tobacco is raised. In fact, Ontario's tobacco tax was traditionally as low as those in such tobacco belt states as North Carolina, Kentucky, and Virginia.

Since Ontario has by far the largest population of any Canadian province, the low tax on tobacco kept Ontario's consumption high, which in turn inflated national tobacco consumption. Ontario's low-tax policy also made it more difficult for other provinces to raise taxes.

By 1984, tobacco taxes in Ontario had reached 50 cents (Canadian) a pack, mainly because of an indexing system that automatically increased the tax.

When the government changed in 1985, the politician who emerged with control over the provincial budget was from Ontario's tobacco belt. His long history of supporting tobacco growers and opposing tobacco taxes meant a strong possibility the province's tobacco tax would not be increased and there was even a risk of a rollback.

This politician remained in charge of the budget until 1990. Yet during his five-year tenure, we obtained the two largest tobacco tax increases the

province had ever seen. The tobacco taxes in Ontario did not fall—they doubled.

With the next change in government in 1990, the increases continued. By 1992, the tobacco tax in this major tobacco growing jurisdiction had reached \$1.30 per pack of 20 cigarettes.

How this was done provides a lesson in the creative use of simple economic concepts.

The arguments

Sometimes politicians can be motivated solely by the magnitude of the health problem caused by tobacco use.

Sometimes a simple comparison of the number of lives lost to tobacco and the number of people the tobacco industry employs will sufficiently show the absurdity of placing the financial well-being of tobacco growers above the health of the entire population. Our experience is that these arguments, as well as the estimates of increased government revenue (see page 7), should virtually always be used.

But sometimes the issue calls for a direct analysis of the impact of higher taxes on tobacco farmers. In such an analysis, two facts are important:

- Tobacco leaf constitutes only a very small part of the cost of cigarettes (the average cigarette contains less than one gram of tobacco).



"RAISE THE CIGARETTE TAX? DONT THESE POOR FOLKS HAVE ENOUGH TROUBLE?"



- A tax increase in a tobacco growing jurisdiction will affect only the proportion of locally grown tobacco consumed in that area. (In other words, how much Virginia tobacco do Virginians smoke?)

For Ontario, figures showed that about half the 170 million pounds of tobacco produced there was sent out of the country. We then estimated, based on sales figures, that about a third of national tobacco consumption took place in Ontario. This left about 29 million pounds, or only 17% of the crop actually consumed in Ontario, — t would be directly impacted by a - x increase.

We then looked at what would happen to these tobacco sales were the tax increase we advocated actually implemented. This meant determining the percentage decline in consumption and applying this percent to the amount of the crop purchased in the province. At that time cigarettes were still cheap, about two Canadian dollars per pack, and we were seeking an increase of 15 cents in the tax per pack, giving us a price increase of about 7.5%. Using estimates of price sensitivity, we calculated that this increase would reduce tobacco consumption by about 3%.

This 3% decline in Ontario's tobacco consumption would theoretically reduce the demand for locally

The government would forego \$10 million a year for each tobacco farmer kept in business.

grown tobacco leaf by about 860,000 pounds, only 0.5% of local tobacco production. We calculated the potential loss of revenue to Ontario's tobacco growers by multiplying this decline in sales by the current price for tobacco. Sales would be reduced by about \$1.5 million, which translated into about 13 average sized tobacco farms going out of business.

But the revenue numbers showed that a tax increase of this size would raise an additional \$130 million. This meant the government would forego \$10 million every year for each tobacco farmer kept in business. We charac-

terized the low tobacco tax as the most expensive, least efficient farm support scheme in national history. We didn't hesitate to remind policymakers of the additional disease, death, and teenage addiction, associated with promoting higher levels of consumption.

We made the point that keeping tobacco taxes down to "help tobacco farmers" was simply unjustified in economic as well as health terms. Far better that politicians who want to assist these farmers should support higher tobacco taxes but simultaneously take some part of the additional money raised to assist tobacco growing areas find alternative sources of revenue.

The case was clear cut and the logic of it constantly reiterated in our quest for health-oriented tobacco taxation. And it worked: taxes went up, consumption went down, tax revenue increased, and assistance was given to tobacco farmers to adjust to lower consumption levels.☺

Excerpted from *The Canadian Tobacco Tax Experience: A Case Study*, 1993, funded by a grant from the Thrasher Research Fund.

Resources

Smoking and Health in the Americas. A 1992 Report of the Surgeon General, in collaboration with the Pan American Health Organization. This surgeon general's report contains an academic overview of tobacco taxes, with a bibliography, pages 127-141. Published by the US Department of Health and Human Services, Public Health Service, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health.

The Impact of Cigarette Excise Taxes on Smoking Among Children and Adults: Summary Report of a National Cancer Institute Expert Panel. August 1993. Produced by the Division of Cancer Prevention and Control of the National Cancer Institute, this report reviews the literature on the effectiveness of taxation as a public health measure.

The Canadian Tobacco Tax Experience: A Case Study. August 1993. A study by the Non-Smokers' Rights Association (Canada) and the Smoking and Health Action Foundation (Canada) explaining the strategies used in Canada to raise taxes on cigarettes. The report also documents the effects of the higher taxes on consumption and revenue. Made possible through a grant from the Thrasher Research Fund. Available from the NSRA, Suite 300, Ottawa, Ontario, Canada K1P 5M9; fax: 613-230-9454.

Taxes on Tobacco Products: A Health Issue. December 1992. A report by the European Bureau for Action on Smoking Prevention (BASAP) undertaken at the request of the Commission of the European Communities. Written in English, French, and German, this publication gives an overview of issues involved in tobacco taxation, shows current tobacco taxes and prices in Europe, and recommends further actions.

UICC Tobacco Control Fact Sheet 4. March 1993. Published by the Tobacco and Cancer Programme of the International Union Against Cancer (UICC), this summary contains recommendations for the key elements of an effective pro-health tobacco tax policy. Available from UICC, 3, Rue du Conseil-General, 1205 Geneva, Switzerland.

Saving Lives and Raising Revenue. The Coalition on Smoking OR Health's 23-page overview of why tobacco tax increases are needed in the US. Available from the Coalition.

Tobacco Industry Employment: A Review of The Price Waterhouse Economic Impact Report and Tobacco Institute Estimates of "Economic Losses from Increasing the Federal Excise Tax." September 1993. A critique of the tobacco industry's predictions of the effects of increasing the tobacco tax, prepared by Arthur Andersen Economic Consulting. Avail-

able from the Coalition on Smoking OR Health.

Highlights from an American Cancer Society Survey of US Voter Attitudes Toward Cigarette Smoking. Results of a national poll conducted by Marttila & Kiley on the cigarette excise tax and other tobacco control measures. Available from the American Cancer Society.

American Cancer Society Tobacco Tax Policy Project/Coalition on Smoking OR Health. Fact sheets, articles, testimony, poll results, case studies, and other resources on state and federal tobacco taxes. Contact:

American Cancer Society
316 Pennsylvania Avenue
Suite 200
Washington, DC 20003
fax: 202-546-1682

Coalition on Smoking OR Health
1150 Connecticut Avenue, NW
Suite 820
Washington, DC 20036
fax: 202-452-1417

A Tax That's Good for You *by C. Everett Koop*

Health-related taxes are different." That's what President Clinton said when he suggested a hefty cigarette tax—perhaps as much as \$2 a pack—as one of the ways to pay for the health care reform that most Americans know we need. He's right.

A cigarette tax is different because it helps almost everyone. A substantial cigarette tax would benefit not only the entire nation by helping to provide more accessible health care at a lower cost, but it would also benefit particular groups; smokers would benefit because it would help them to quit; nonsmokers would benefit because the air they breathe would have less harmful smoke; children would benefit because fewer kids would get hooked on cigarettes; and—if the tax is done right—even tobacco farmers could benefit. The only real losers would be the tobacco industry, which has made its profits by lying to the American people about the dangers of smoking.

But the tobacco industry lobbyists are pressuring the President to back down, to settle for a cigarette tax as low as 50 cents, and they're linking arms with tax opponents in Congress to defeat this critical part of health care reform. Now, more than ever, President Clinton needs to remember his own words—for cigarette taxes are different indeed.

Cigarette taxes are different because they are the most effective way to discourage tobacco use among young people. In Canada, where cigarette taxes have been raised to more than \$3 per pack, youth smoking rates have dropped by 60% since 1980.

Cigarette taxes are different because cigarettes kill more than 400,000 Americans each year, and rob our economy of \$68 billion a year in health care costs and lost productivity. Increasing the cigarette tax could be one of the most important public health measures this country has ever taken. Experts predict that a \$2 per pack increase would persuade millions of young people not to start smoking and would help millions of current smokers to quit. About 7.6 million Americans would choose not to smoke because of the tax.

Figuring that smoking kills about a third of all those who smoke, this tax could prevent the premature death of at least 2 million Americans alive today. No other single aspect of any health care reform plan can make so dramatic a claim. Let's not lose this unique opportunity to prolong those 2 million lives just to please the tobacco industry and its friends in Congress.

Senators and congressmen should be happy to find a tax that is actually popular. Polls show that almost 80% of Americans—Republicans and Democrats, young and old, men and

women—support a large cigarette tax. So those members of Congress elected on a "no new taxes" pledge can go along with this one. Cigarette taxes are indeed different.

Even tobacco farmers could benefit from the new cigarette tax if it is as hefty as once planned. Most tobacco farmers know the right and smart thing to do is to get out of a business that produces disease, disability, and death, and this tax can help them make the transition to the smoke-free society and smoke-free economy that lie in our future. A small percentage of the revenue from this tax could be returned to tobacco-growing states to be used to help tobacco farmers diversify. Instead of blindly opposing the \$2 cigarette tax, tobacco-state members of Congress should be fighting for their share of the pie to help move their states into the economy of the 21st century.

President Clinton says he wants dialogue on the health care reform package, and that should eventually produce the plan the nation needs. But there's already one issue on which almost everyone agrees—a major cigarette tax. Let's not let the tobacco industry make victims of the public on this one. Health-related taxes are different; they're good for you. ☺

C. Everett Koop, MD, was surgeon general from 1981 to 1989.

This article appeared in the *Washington Post* September 21, 1993.

ADN Dec 4 1995

Youth who smoke

Good reasons for cracking down

At first thought, given the myriad other concerns society has about young adults these days, cigarette smoking may seem innocuous. But Anchorage Police patrolman Mike Livingston is passionate about tobacco: He doesn't like to see kids get hooked on it.

He's got good reason for his concern. Nearly 84 percent of adult Alaskans who smoke started between the ages of 10 and 20, according to a survey by the state Division of Public Health.

Officer Livingston, whose full-time job is to deal with tobacco infractions, described some of his work Tuesday at the town meeting on violence.

He routinely tickets teens when he finds them smoking. Many times, he says, kids and parents alike whine, "Why aren't you out catching murderers?"

He's got two good answers:

If we take care of the small stuff, there won't be so much of the big stuff to take care of. And if we just stand by and watch kids smoke tobacco and don't do anything about it, they get the impression that we don't care.

There's a side benefit in issuing citations to minors in possession of tobacco. Some are juveniles with outstanding warrants, runaways, and teens who have been assaulted; in one case a teen who escaped from custody got caught when he lit up in front of Officer Livingston.

Livingston sees a couple of problems with Anchorage's handling of underage smokers. Some busy magistrates routinely dismiss the tobacco tickets Livingston so determinedly issues. That would be less likely to happen if youths could pay their tickets without going to court in cases where they don't contest the citation.

With the strong belief that it is more efficient to go after the supplier than the purchaser, Officer Livingston would like to be able to make "compliance checks" on stores. That involves getting juveniles (with parental consent) to go into stores and attempt to buy tobacco products. An undercover police officer waits nearby until the transaction is completed, then issues the merchant a citation.

For some reason, Livingston says, our police are not allowed to do this now. Explanations vary; some worry that if police ask kids to buy cigarettes, they're asking them to do something illegal. But the result is that nobody is going after vendors who sell tobacco to children.

If we're serious about preventing the sale of tobacco to minors, this inaction is inexcusable. There are plenty of good legal minds in the state; surely somebody can see through the smoke and find a way to put the fear of the law into those who would peddle poison to our youth.

The Almanac

Teen Smoking

Average age when people first try cigarette smoking: 14.5.

Percent of teen smokers who wouldn't smoke if they were given the chance to do things differently: 70.

Of the 80 percent of teen smokers who want to quit, percent who have succeeded: 1.2.

Percent of the time U.S. minors were successful in buying tobacco from vending machines placed where minors were prohibited: 77.

Of the 3,000 young people who every day become regular smokers, number who will eventually die as a result of their smoking: Nearly 1,000.

Years of life lost by the average smoker who dies from smoking: 12-15.

Estimated percent reduction in new teen smokers for every 1 percent increase in cigarette taxes: 1.

Number of years since Alaska's excise tax on cigarettes was changed: 6.

Sources: Alaska Tobacco Control Alliance; U.S. Department of Health and Human Services; American Lung Association of Alaska.

ADN Dec 4 1995

SENATE COMMITTEE REF
First Committee of Referral

01/96

FURTHER: Finance

now with
 314K-

Day Notice: 2/1/96
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/3/96

Affairs Committee considered SB 210

relating to taxes on cigarettes and tobacco products; and provi

New FN to CS forthcoming

Comments:

replaced with CS SB 210 (STA) same title
 new title
 House Bill:
 same title
 technical title
 new: SCR# _____

opt previous CS _____

attached amendment(s) _____

opt Letter of Intent by _____ Committee

other referral to the _____ Committee

DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Drew D. Human</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>(contingent upon appropriate disposal of operating budget)</i>		<i>[Signature]</i>	<input checked="" type="checkbox"/>		

AIR: *[Signature]*

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>Revenue</i>	<i>3/12/96</i>		<i>1597 23,926.9 (Rev.)</i>

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase Tobacco Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Ellis
 Requestor: (S) SIA COMPONENT SERIAL NO. 113

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	45.6	45.6	45.6	45.6	45.6	45.6
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	8.0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	8.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	63.6	50.6	50.6	50.6	50.6	50.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF)	33,426.8	44,781.7	45,040.5	45,287.1	45,533.6	45,780.1
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	63.6	50.6	50.6	50.6	50.6	50.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	63.6	50.6	50.6	50.6	50.6	50.6

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by Paul E. Dick Phone: 465-3691
 Division Income and Excise Audit Division Date: April 3, 1996
 Approved by Commissioner Wilson L. Condon Date: April 3, 1996
 Agency Department of Revenue

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Alaska Department of Revenue
Income and Excise Audit Division

CSSB 210(STA)
Increase Tobacco Taxes
9-LS1314\K
April 3, 1996
Page 2 of 3

Bill Analysis

Section 1 provides intent language that new tax revenue derived from cigarette and tobacco increases, subject to appropriation, be directed toward an aggressive anti-tobacco campaign targeting children, pass-through grants to municipalities to detect and prosecute persons who sell or supply tobacco to children, and state support of elementary and secondary education.

Section 2 increases the general fund portion of the cigarette tax by \$1.00 per pack; from 12 mills (24¢ per pack) to 62 mills (\$1.24 per pack). Combining these rates with the 2.5 mills (5¢ per pack) levied under AS 43.50.090, which is dedicated to the School Fund, the total tax on a pack of cigarettes would increase from \$.29 to \$1.29.

Section 3 increases the tobacco products tax from 25% to 100% of the wholesale price of the tobacco products.

Section 4 establishes an effective date of October 1, 1996.

Operating Expenditures

Department of Revenue is requesting operating funds to cover the costs of a vacant tax examiner III position which was not funded in FY 97. With such a large increase in taxes due the state (increase from \$17 to \$60+ million annually), the department anticipates increased taxpayer noncompliance. With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This position will be responsible for insuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax.

The Department is requesting \$5.0 additional contractual funding in FY 97 to cover costs of public notice of rate increases, forms revisions and postage.

Revenue

The attached spreadsheet details revenue projections from rate increases in this bill.

**Alaska Department of Revenue
Income and Excise Audit Division**

CSSB 210(STA)
Increase Tobacco Taxes
9-LS1314K
April 3, 1996
Page 3 of 3

	FY 06 Projected	FY 07 July - Sept	FY 07 Oct - June	Total	FY 08	FY 09	FY 00	FY 01	FY 02
Cigarettes									
	<i>Elasticity Factor</i>		<i>-18.5%</i>		<i>(-18.5% Annualized)</i>	<i>0.0%</i>			
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	44,287,100	44,287,100	44,287,100
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.29	\$1.29	\$1.29
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,847,769	\$46,787,419	\$57,130,359	\$57,130,359	\$57,130,359	\$57,130,359	\$57,130,359
Tobacco Products									
	<i>Elasticity Factor</i>		<i>-18.5%</i>		<i>(-18.5% Annualized)</i>				
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Rate	25%	25%	100%	Variable	100%	100%	100%	100%	100%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,650	\$46,515,269	\$50,829,919	\$62,020,359	\$62,020,359	\$62,020,359	\$62,020,359	\$62,020,359
Population Increase	N/A			1.0038	1.0076	1.0118	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,609	62,754,085	63,003,109	63,252,133	63,501,157
Less 1% Commission	(172,586)			(510,231)	(624,926)	(627,541)	(630,031)	(632,521)	(635,012)
Net Cigarette and Tobacco Tax	\$17,086,014			50,512,842	61,867,683	62,126,544	62,373,078	62,619,612	62,866,146
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,426,828	\$44,781,669	\$45,040,530	\$45,287,064	\$45,533,598	\$45,780,132



Alaska State Legislature

Session:
State Capitol
Juneau AK 99801-1182

Senate State Affairs

Interim:
716 W 4th Avenue
Anchorage AK 99501-2133

CSSB 210 (STA) Version "K" dated 3/26/96

"An Act relating to taxes on cigarettes and tobacco products; and for an effective date."

Senate State Affairs CS adds a flat \$1.00 per pack (62 mils) tax on cigarettes. (Original bill tax amount escalated up on a periodic basis and included CPI increases.)

Intent language also added to direct new funding for: 10% to be used for establishing an aggressive anti-tobacco campaign targeting children, administered by the Department of Health and Social Services; 10% to be used by the Department of Public Safety as pass-through grants to municipalities to detect and prosecute those who sell or other wise supply tobacco to children; remainder to be expended for state support of elementary and secondary education.

FISCAL NOTES: Note that the fiscal note for SB 234 (also an Act relating to taxes on cigarettes and tobacco products) more accurately reflects the expected revenues of this new CS for the first three fiscal years FY97 through FY99. A revised fiscal note from Department of Revenue should reflect these changes.

Ann
4/2/96

9-LS1314K
Chenoweth
3/26/96

CS FOR SENATE BILL NO. 210(STA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR ELLIS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to taxes on cigarettes and tobacco products; and providing for
2 an effective date."

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

4 * Section 1. LEGISLATIVE INTENT. It is the intent of the legislature that, of the new
5 tax revenue derived from the amendments made by secs. 2 and 3 of this Act, subject to
6 appropriation.

7 (1) 10 percent be used for establishing an aggressive anti-tobacco campaign
8 targeting children, to be administered by the Department of Health and Social Services;

9 (2) 10 percent be used by the Department of Public Safety as pass-through
10 grants to municipalities to detect and prosecute those who sell or otherwise supply tobacco
11 to children; and

12 (3) the balance be expended for state support of elementary and secondary
13 education.

14 * Sec. 2. AS 43.50.190(a) is amended to read:

1 (a) There is levied an excise tax of 62 mills [12 MILLS] on each cigarette
2 imported or acquired in this state.

3 * Sec. 3. AS 43.50.300 is amended to read:

4 Sec. 43.50.300. EXCISE TAX LEVIED. An excise tax is levied on tobacco
5 products in the state at the rate of 100 [25] percent of the wholesale price of the
6 tobacco products. The tax is levied when a person

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

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

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

13 * Sec. 4. This Act takes effect October 1, 1996.

**Alaska Department of Revenue
Income and Excise Audit Division**

SB 234
Increase Tobacco Taxes
9-LS1559A
March 12, 1996
Page 4 of 4

	FY 98 Projected	July - Sept	FY 97 Oct - June	Total	FY 96	FY 95	FY 94	FY 93	FY 92
Cigarettes									
<i>Elasticity Factor</i>			<i>-18.5%</i>		<i>(-18.5% Annualized)</i>	<i>0%</i>	<i>3%</i>	<i>0%</i>	<i>0%</i>
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	42,058,487	42,958,487	42,958,487
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.53	\$1.53	\$1.53
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,847,769	\$46,787,419	\$57,130,359	\$57,130,359	\$65,726,485	\$65,726,485	\$65,726,485
Tobacco Products									
<i>Elasticity Factor</i>			<i>-18.5%</i>		<i>(-18.5% Annualized)</i>				
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Rate	25%	25%	100%	Variable	100%	100%	100%	100%	100%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000	\$4,890,000
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,650	\$46,515,269	\$50,829,919	\$62,020,359	\$62,020,359	\$70,616,485	\$70,616,485	\$70,616,485
Population Increase	N/A			1.0038	1.0076	1.0118	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,609	62,754,065	71,735,446	72,016,985	72,302,524
Less 1% Commission	(172,586)			(510,231)	(624,926)	(627,541)	(717,354)	(720,190)	(723,024)
Net Cigarette and Tobacco Tax	\$17,086,014			50,512,842	61,867,683	62,126,544	71,018,091	71,296,795	71,579,499
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,426,828	\$44,781,669	\$45,040,530	\$53,932,077	\$54,212,781	\$54,493,485

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase Tobacco Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Ellis
 Requestor: (S) STA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	45.6	45.6	45.6	45.6	45.6	45.6
TRAVEL	1.0	1.0	1.0	1.0	1.0	1.0
CONTRACTUAL	8.0	3.0	8.0	8.0	8.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	8.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	63.6	50.6	55.6	55.6	55.6	50.6

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (GF)	33,426.8	44,781.7	45,185.5	54,077.6	54,267.0	54,547.9
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	63.6	50.6	55.6	55.6	55.6	50.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	63.6	50.6	55.6	55.6	55.6	50.6

Estimate of any current year (FY96) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by Paul E Dick Phone 465-3691
 Division Income and Excise Audit Division Date March 12, 1996
 Approved by Commissioner Wilson L Condon Date March 12, 1996
 Agency Department of Revenue

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**Alaska Department of Revenue
Income and Excise Audit Division**

SB 210
Increase Tobacco Taxes
9-LS1314\C
March 12, 1996
Page 2 of 4

Bill Analysis

Section 1 increases cigarette tax rates as follows:

Effective Date	School Fund Base Rate (AS 43.50.090)	General Fund Additional Tax (AS 43.50.190)	Rate Increase (General Fund)	Total Tax (per pack)
Current	\$.05	\$.24	N/A	\$.29
10/1/96	\$.05	\$.24	\$ 1.00	\$ 1.29
7/1/99	\$.05	\$ 1.24	\$.24	\$ 1.53
7/1/02	\$.05	\$ 1.48	\$.24	\$ 1.77
7/1/05*	\$.05	\$ 1.72	\$.24	\$ 2.01

* Rates would increase by 12 mills per cigarette, which is 1.2¢ per cigarette or 24¢ per pack, each succeeding three-year period after July 1, 2005.

Section 2 requires that Department of Revenue give public notice for each rate change.

Section 3 raises the tobacco products tax from 25% to 100% of the wholesale price of the tobacco products.

Section 4 provides for adjusting the tobacco products tax rate based on the change in the Consumer Price Index for the Anchorage area. The index for January 1997 would be the reference base index. The tax would be subject to adjustment on July 1 of each even-numbered year.

Section 5 requires that Department of Revenue give public notice for each rate change.

Section 6 establishes an effective date of October 1, 1996.

**Alaska Department of Revenue
Income and Excise Audit Division**

SB 210
Increase Tobacco Taxes
9-LS1314\C
March 12, 1996
Page 3 of 4

Operating Expenditures

Department of Revenue is requesting operating funds to cover the costs of a vacant tax examiner III position which was not funded in FY 97. With such a large increase in taxes due the state (increase from \$17 to \$50+ million annually), the department anticipates increased taxpayer noncompliance. With significantly higher levels of tax, it is possible that taxpayers will look for loopholes or other methods of tax avoidance. This position will be responsible for insuring that all taxpayers are identified and that taxpayers are filing and paying the proper amount of tax.

The Department is requesting contractual funding of \$5.0 in each year that there is a rate change to cover costs of public notice, forms revisions and postage.

Revenue

The attached spreadsheet details revenue projections from rate increases in this bill.

**Alaska Department of Revenue
Income and Excise Audit Division**

SD 210
Increase Tobacco Taxes
9-LS1314C
March 12, 1996
Page 4 of 4

	FY 96 Projected	July - Sept	FY 97 Oct - June	Total	FY 98	FY 99	FY 00	FY 01	FY 02
Cigarettes									
<i>Elasticity Factor</i>			-18.5%		(18.5% Annualized)	0%	-3%	0%	0%
Consumption (packs of cigarettes)	54,340,000	13,585,000	33,215,325	46,800,325	44,287,100	44,287,100	42,958,487	42,958,487	42,958,487
Rate	\$0.29	\$0.29	\$1.29	Variable	\$1.29	\$1.29	\$1.53	\$1.53	\$1.53
Cigarette Tax	\$15,758,600	\$3,939,650	\$42,847,769	\$46,787,419	\$57,130,359	\$57,130,359	\$65,728,485	\$65,728,485	\$65,728,485
Tobacco Products									
<i>Elasticity Factor</i>			18.1%		(18.1% Annualized)	1%	0%	2%	0%
Consumption (Wholesale Price)	\$6,000,000	\$1,500,000	\$3,667,500	5,167,500	\$4,890,000	\$4,841,100	\$4,841,100	\$4,453,812	\$4,453,812
Rate	25%	25%	100%	Variable	100%	104%	104%	111%	111%
Tobacco Products Tax	\$1,500,000	\$375,000	\$3,667,500	\$4,042,500	\$4,890,000	\$5,034,744	\$5,034,744	\$4,943,731	\$4,943,731
Total Cigarette and Tobacco Tax	\$17,258,600	\$4,314,650	\$46,515,269	\$50,829,919	\$62,020,359	\$62,165,103	\$70,761,229	\$70,670,216	\$70,670,216
Population Increase	N/A			1.0038	1.0076	1.0116	1.0158	1.0199	1.0239
Adjusted Increase	N/A			51,023,073	62,492,609	62,900,541	71,882,483	72,073,783	72,357,539
Less 1% Commission	(172,586)			(510,231)	(624,926)	(629,005)	(718,825)	(720,738)	(723,575)
Net Cigarette and Tobacco Tax	\$17,086,014			50,512,842	61,867,683	62,271,536	71,163,658	71,353,046	71,633,963
FY 96 Projected Net Tax				(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)	(17,086,014)
Tobacco Tax Increase				\$33,428,828	\$44,781,669	\$45,185,522	\$54,077,644	\$54,267,032	\$54,547,949

ALASKA STATE LEGISLATURE

Senate Health, Education and
Social Services Committee

•
Senate Judiciary Committee

•
Department of Health and Social
Services Budget Subcommittee

•
Department of Law
Budget Subcommittee




•
Wade in Seward
State Capitol, Rm. 9
Juneau, Alaska 99801
907/465-3704
Fax 907/465-2529

•
Office in Anchorage
710 West 4th Ave., Ste. 110
Anchorage, Alaska 99501
907/258-8182
Fax 907/258-5571

SENATOR JOHNNY ELLIS

MEMORANDUM

TO: Senator Bert Sharp, Chair
Senate State Affairs Committee

FROM: Senator Johnny Ellis 

DATE: January 23, 1996

RE: Hearing request for SB 210: Relating Taxes to Tobacco

I respectfully request that you schedule SB 210, relating to taxes on cigarettes and tobacco products, for a hearing at your earliest possible convenience. I have a sponsor statement, bill analysis and other supporting materials.

Thank you for your consideration.

ALASKA STATE LEGISLATURE

Senate Health, Education and
Social Services Committee

•
Senate Judiciary Committee

•
Department of Health and Social
Services Budget Subcommittee

•
Department of Law
Budget Subcommittee



While in Session
State Capitol, Rm. 9
Juneau, Alaska 99801
(907) 465-3704
fax: (907) 465-2529

•
While in Anchorage
716 West 4th Ave., Ste. 110
Anchorage, Alaska 99501
(907) 258-8182
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SENATOR JOHNNY ELLIS

SPONSOR STATEMENT SENATE BILL 210

TOBACCO TAX

Senate Bill 210 would raise the excise tax on tobacco. This proposal follows the recommendation of the Long Range Financial Planning Commission, and is designed to provide more revenues to more effectively offset the costs of tobacco-induced diseases, and to keep people from forming tobacco addictions at an early age.

Tobacco use is the single most preventable cause of premature death and crippling disease in the United States, and Alaska nearly tops the national list for smoking-related deaths. Twenty-eight percent of Alaskan adults smoke cigarettes regularly as compared to the national median of twenty-two percent. Nearly eighty-four percent of Alaskan adults who smoke started between the ages of 10 and 20 years old. These statistics provide compelling reasons to bring Alaska's tobacco taxes up to a level that corresponds to the rate of tobacco abuse in Alaska.

The current tax on cigarettes is \$.29 per pack. Under this proposal, cigarettes would be taxed at a rate of 62 mills per cigarette, which would amount to a levy of \$1.29 per pack until 1999. From 1999 to 2002 the amount would increase to 74 mills, and from 2002 to 2005 it would increase to 86 mills per cigarette. Thereafter the tax would increase by an additional 12 mills each succeeding three years.

For smokeless tobacco, the excise tax levied would increase from 25 percent to 100 percent of the wholesale price of tobacco products. A consumer price index adjustment would also apply to smokeless tobacco products, so that the rate of taxation would keep up with inflation.

SB 210 is an important component of the Long Range Financial Planning Commission's proposal to bridge Alaska's fiscal gap -- it is estimated that this tax increase would raise \$43 million annually beginning in FY97. Importantly, it would dramatically lower teenage smoking and tobacco use, and will reduce future expenditures on health care costs. I urge your support.



ALASKA DIVISION, INC.

March 13, 1996

Martha Cotton, MD
President

Anne Lenier, MD
President-Elect

Eve Loken
Board Chair

Richard Waller
Board Vice Chair

Barbara Kenney
Secretary

Glenn Betts
Treasurer

Diana Kubas
Executive Vice President

Senator Bert Sharp
State Capitol
Juneau, AK 99801-1182

Dear Senator Sharp:

The American Cancer Society, Alaska Division and our counterparts across the country and around the world have placed tobacco use prevention as a primary strategy for reducing the incidence of cancer. Significantly increasing the tobacco excise taxes tops our list of tobacco use prevention strategies. Our strong support of tobacco taxation is not a decision arrived upon in haste. It is a position based upon years of economic and health research, as well as proven examples of efficacy. Please review the following examples.

- The US Department of Health and Human Services estimates that a 10% increase in the price of cigarettes will bring about a 4%-6% drop in consumption.(1)
- The US General Accounting Office further asserts that for children and low income populations, this effect would be more dramatic; a 10% increase in price will result in a 7.6%-12% drop in consumption.(2)
- Since California raised its cigarette tax by \$.25 per pack and increased preventative health education efforts, the smoking rate has dropped 23.6%, more than twice the national average.(3)
- Studies for the Massachusetts Department of Health show that a 1993 cigarette tax increase of \$.25 per pack has brought about a 13% drop in consumption in the first twenty months, more than four times the national average.(4)
- A report to the Canadian Minister of Finance states that from 1979 to 1991 the percentage of regular smokers among 15-19 years of age in Canada dropped from 46% to 16% in response to tax increases totaling \$2.50 per pack (US dollars).(5)
- A rollback of Canadian cigarette taxes in 1994 has already resulted in a single year expansion of the total tobacco market in Canada by 10%, a dramatic increase in teen smoking rates, and an estimated 40,000 more lives will be lost as a result.(8)

- A recent report presented to Congress by University of Illinois economist Dr. Frank Chaloupka explains that new smokers, particularly youth, are likely to curb consumption in the face of rising prices. He states, "Tax increases, by significantly reducing smoke in younger populations, would lead to substantial long-run improvements in health."(9)

Alaska is poised to realize similar health gains in the next generation. On behalf of our 4,000 volunteers statewide, we urge you to support a \$1.00 increase in the state excise tax on tobacco. Please do not hesitate to contact our office if you require further information on this crucial public health measure.

Sincerely,



Eva Loken
Board Chair

1. US Dept. Of Health and Human Services. *Smoking and Health in the Americas*. DHHS Pub. No. (CDC) 92-8419, p. 129.
2. US General Accounting Office. *Teenage Smoking*. GAO/HRD89-119, p. 20
3. Bourn, David, et all. "The Effect of Raising State and Federal Tobacco Taxes." *The Journal of Family Practice*. Mar 1994, 38(31), p. 301.
4. Massachusetts Department of Public Health. Report to the Department by Apt Associates, 1994.
5. Physicians for a Smoke Free Canada, et all. *Canada's Tobacco Tax Policy: Successes and Challenges*. A Submission to the Honorable Donald Mazankowski, Minister of Finance. December 1992, p. 4.
6. Stephens, T. "Workshop Report: Trends in the Prevalence of Smoking, 1991-1994." *Chronic Diseases in Canada*. 16(1), Winter 1995, pp. 27-32.
7. Ontario Tobacco Research Unit. *Monitoring Ontario's tobacco Strategy, Progress Towards Our Goals*. October, 1995.
8. Fischer, Doug. "Tax Cuts That Kill." *The (Montreal) Gazette*. February 1, 1995, p. A1.
9. Meyers, Mike. "These Economic Experts Advocate HIGHER Taxes." *The Minneapolis Star Tribune*. January 7, 1995, pp. 1A, 6A.



Seven Circles Coalition

"It takes a whole village to raise a child"

-African Proverb

SEVEN CIRCLES REGIONAL COUNCIL

TOBACCO RESOLUTIONS FOR 1996

KETCHIKAN OFFICE:
107 Stedman Street #107
Ketchikan, Alaska 99901
(907) 225-1073
(907) 225-1076 (Fax)

JUNEAU OFFICE:
3200 Hospital Drive #202
Juneau, Alaska 99801
(907) 463-5881
(907) 463-5877 (Fax)

SITKA OFFICE:
222 Tongass Drive
Sitka, Alaska 99835
(907) 966-8745
(907) 966-8707 (Fax)

TITLE: PREVENTION OF YOUTH TOBACCO USE AND ADDICTION

WHEREAS, 32% of Alaskan girls smoke or chew tobacco daily, and 26% of Alaskan boys smoke or chew daily; and,

WHEREAS, 84% of Alaskan adults started smoking between the ages of 10 and 20 years of age; and,

WHEREAS, tobacco kills far more Americans each year than alcohol, car accidents, suicide, homicide, AIDS, heroin and cocaine COMBINED; and

WHEREAS, children and teenagers nationwide constitute 90% of all new smokers; and,

WHEREAS, Alaska has the sixth highest rate of smoking-related death in the U.S.; and,

WHEREAS, second hand smoke has been identified as the third leading cause of preventable death in the U.S., behind active smoking and alcohol-related deaths; and,

WHEREAS, the U.S. has the lowest cigarette taxes of any developed nation in the world; and,

WHEREAS, between 1979 and 1991 in Canada, increasing the tax rates by 15.8% decreased the teenage consumption of tobacco by 67%; and,

WHEREAS, the U.S. Government Accounting Office has determined that for every 1% increase in the price of cigarettes, 1% fewer teenagers will smoke; and,

WHEREAS, it is estimated that a dollar a pack increase on cigarettes would reduce youth consumption by 22%.

BE IT THEREFORE RESOLVED that the Seven Circles Regional Council, made up of representatives from Ketchikan, Juneau and Sitka, supports legislation that would increase the cigarette tax an additional \$1.00 per pack (to be indexed yearly to inflation) and a commensurate increase in

Funded by the Center for
Substance Abuse Prevention.

Lead Agency
Southeast Alaska Regional
Health Consortium



Seven Circles Coalition

"It takes a whole village to raise a child"

-African Proverb

KETCHIKAN OFFICE:

107 Stedman Street #107

Ketchikan, Alaska 99901

(907) 225-1073

(907) 225-1075 (Fax)

JUNEAU OFFICE:

3200 Hospital Drive #202

Juneau, Alaska 99801

(907) 463-5081

(907) 463-5877 (Fax)

SITKA OFFICE:

222 Tongass Drive

Sitka, Alaska 99835

(907) 966-8745

(907) 966-8707 (Fax)

March 6, 1996

Greetings,

The Seven Circles Coalition is a Alcohol, Tobacco, Drug and of individuals and organizations from Southeast Alaska. The Coalition is funded in part by the Center for Substance Abuse Prevention.

The Seven Circles Regional Council is an 11 member advisory group made up of youth and adults from Juneau, Sitka and Ketchikan. The Regional Council members, who represent prevention efforts in their local communities, are working together to create a Southeast Alaska regional focus on ATOD & V prevention.

Recently the Seven Circles Regional Council passed a Tobacco Resolution for 1996. This resolution describes the negative and costly impact that the use of tobacco is having on young people in Alaska. The Regional Council strongly supports legislation that would increase the cigarette tax an additional \$1.00 per pack and a commensurate increase in the tax on other tobacco products, such as House Bill No. 431.

The Regional Council also supports legislation that strengthens the enforcement of Alaska's laws prohibiting the illegal sale of tobacco products to youth such as House Bill No. 365 and No. 375.

Please review the attached Resolution, and feel free to share it with others. Together we can reduce the use of tobacco, the #1 cause of death for the youth and adults living in the United States.

Sincerely,

Jonathan Wunrow

Program Coordinator, Seven Circles Coalition

Funded by the Center for
Substance Abuse Prevention

Lead Agency
Southeast Alaska Regional
Health Consortium

the tax on other tobacco products.

BE IT FURTHER RESOLVED that the Seven Circles Regional Council supports the efforts of the following groups in the fight against youth tobacco use and addiction: The Association of Alaska School Boards; The Alaska Federation of Natives; Citizens To Protect Kids From Tobacco, Anchorage; The Alaskan Native Health Board; The American Lung Association of Alaska, and The Alaska Division of the American Cancer Society.

BE IT FURTHER RESOLVED that the Seven Circles Regional Council supports efforts to prevent youth tobacco use and addiction through the enforcement of Alaska's law which prohibits the illegal sale of tobacco products to youth.

** Statistics quoted above were obtained from the Alaskan Division of the American Cancer Society, and The American Lung Association of Alaska.



ALASKA STATE MEDICAL ASSOCIATION

4107 Laurel Street • Anchorage, Alaska 99508-5334 • (907) 562-2662 • FAX (907) 561-2063

Honorable Bert Sharp
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, AK 99801-1182

Dear Senator Sharp:

In a few days you will be receiving your complimentary copy of
Alaska Medicine.

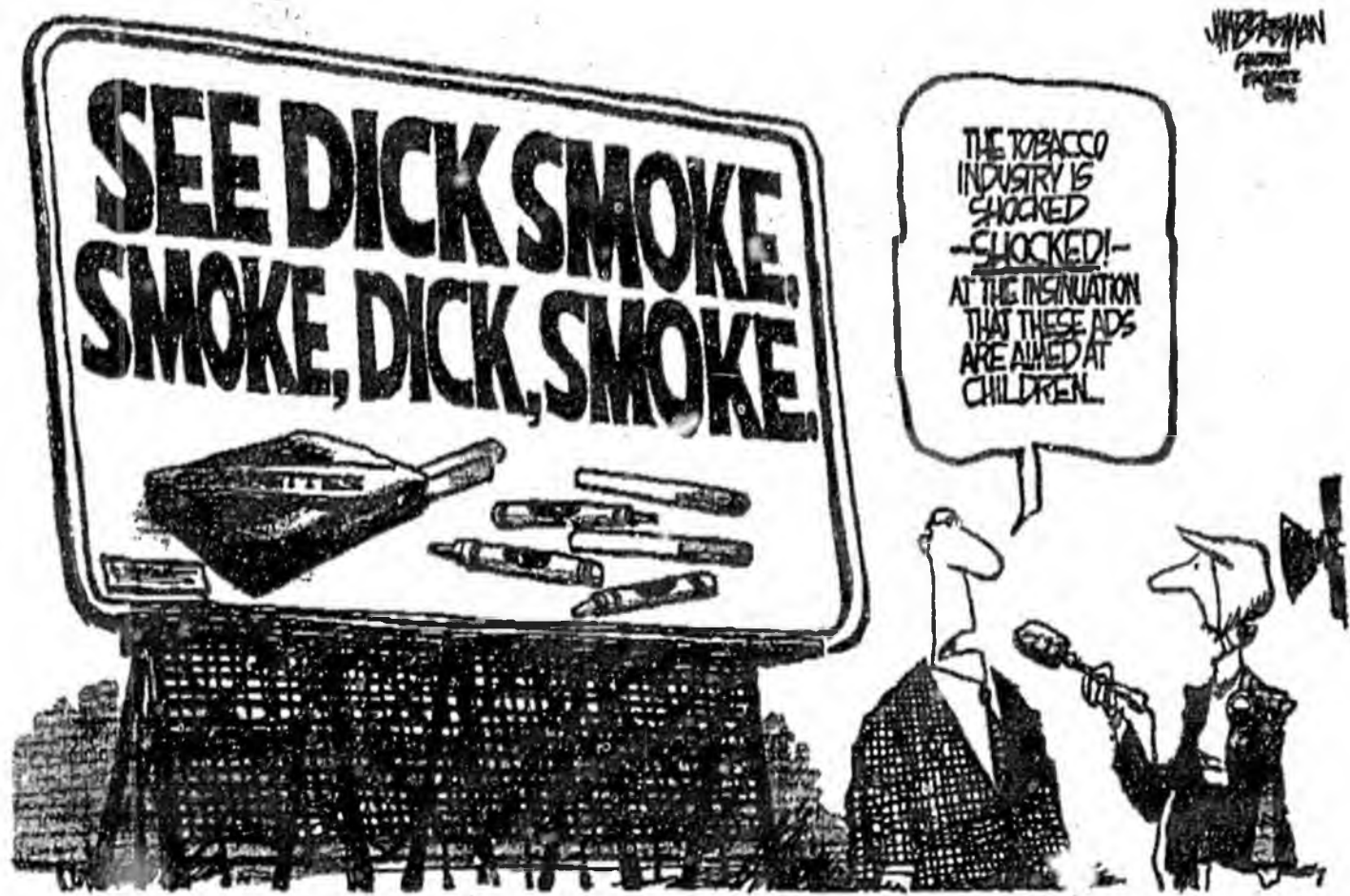
We devoted the entire issue to papers on the subject of smoking and
its detrimental effects on kids.

We hope you will at least read the abstracts of these articles and keep
the principles in mind as you debate the proposal to increase taxes on
tobacco products. Remember - this is a health issue, not a revenue enhancer.
We hope the state will collect progressively smaller amounts as time passes.

Thank you for your consideration.

Sincerely,

Donald R. Rogers, MD
Editor



Dear Legislator:

We just wanted to let you know that the Alaska Council on Prevention of Alcohol and Drug Abuse, along with three-fourths of all Alaskans, supports legislation to increase state cigarette taxes by \$1 per pack, with a similar increase in taxation on chewing tobacco.

Please do what you can to ensure that the legislation is passed this session:

Sincerely,

C-Joe DiMatteo

C-Joe DiMatteo, Executive Director
ALASKA COUNCIL ON PREVENTION
of Alcohol and Drug Abuse

PROTECT KIDS - TAX TOBACCO

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 14, 1996

SUBJECT: Senate Bill 210, increasing the taxes on cigarettes and tobacco products -- sectional analysis (Work Order No. 9-LS1314\C)

TO: Senator Johnny Ellis

FROM: Jack Chenoweth
Legislative Counsel

Senate Bill 210 proposes increases to the state-imposed taxes on cigarettes and tobacco products.

Bill section 1: The bill section sequentially increases the tax on cigarettes. The increases are as follows:

Between the bill's effective date and June 30, 1999, the tax imposed under this section is set at 62 mills per cigarette or \$1.24 per pack, an increase of \$1.00 per pack from the current tax levy;

Between July 1, 1999, and June 30, 2002, the tax imposed under this section is set at 74 mills per cigarette or \$1.48 per pack, a further increase of 24 cents per pack;

Between July 1, 2002, and June 30, 2005, the tax imposed under this section is set at 86 mills per cigarette or \$1.72 per pack, an additional increase of 24 cents per pack; and

Thereafter, at three-year intervals, increases at the rate of 12 mills per cigarette (24 cents per pack).

Bill section 2: The bill section directs the Department of Revenue to give public notice of the cigarette tax rate changes and specific notice of the change to all cigarette tax licensees.

Bill section 3: The amendment increases the excise tax on tobacco products other than cigarettes from its current 25 percent of the product's wholesale price to a rate of 100 percent of the wholesale price.

Senator Johnny Ellis
March 14, 1996
Page 2

Bill section 4: The bill section authorizes the department to change the rate of the excise tax on tobacco products other than cigarettes in line with inflation, with the change to be made every second year. The provision spells out how the change is to be calculated.

Bill section 5: The bill section directs the Department of Revenue to give public notice of the biennial rate changes of the change in the excise tax rate applicable to tobacco products other than cigarettes and to give specific notice of the change to all tobacco tax licensees.

Bill section 6 gives the measure an October 1, 1996, effective date.

JBC:pl
96-076.plm

Janet W. McCabe

1320 K STREET • ANCHORAGE, ALASKA 99501

Via FAX 465-2070

Note: Please distribute to the Committee before today's hearing and enter into the public record. Thanks!

3/14/96

Senator Bert Sharp
Alaska State Senate
Alaska State Capitol
Juneau, Ak 99801-1182

Dear Senator Sharp:

This is to ask your support of legislation increasing tobacco taxes.

I view this legislation more as a health measure - a significant step towards disease prevention - than as a form of taxation and revenue. Increasing the cost of cigarettes will help discourage young people from starting to smoke, and will protect those who are most vulnerable to a proven health hazard.

Increased taxation in this case is fully justified. Smoking creates major social costs, and the revenue generated by the increase would at least begin to cover those costs.

Sincerely,

Janet McCabe
Janet McCabe

Legislative Research Agency

Alaska State Legislature



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196

Phone: (907) 465-3991
Fax: (907) 463-3351

June 15, 1995

MEMORANDUM

TO: Senator Johnny Ellis

FROM: Paula d. Scavera *ps*
Legislative Analyst

RE: Tobacco Taxes in Alaska
Research Request 95.212

You asked us to calculate revenues that could be generated by increasing the existing taxes on cigarettes and tobacco products. You requested that we calculate these projections with specific increases. Attached is a table showing the calculated increases using the estimated FY 95 taxes. The estimated FY 95 tax revenue is a combination of 10 months of actual taxes received and 2 months of average monthly taxes. We have not decreased the number of smokers as the taxes have increased, because of population growth and other factors (this was done on the advice of the Alaska Department of Revenue).

Tobacco tax is levied on cigarettes and tobacco products imported into Alaska. Cigarettes are taxed at 14.5 mills per cigarette or 29 cents per pack. All other tobacco products are taxed at 25 percent of wholesale price. These taxes are collected primarily from licensed wholesalers and distributors. The licensed dealers and wholesalers are allowed to deduct 1 percent of the tax due to cover accounting expenses. Military sales and sales to Indians within an Indian reservation are exempted from cigarette and tobacco taxes. In 1988, the tobacco products tax was enacted, and in 1989 the cigarette tax was increased to 14.5 mills or 29 cents per pack.

The cigarette tax (14.5 .5) mills contains two parts: the prestatehood (base) rate of 2.5 mills and the poststatehood (additional) rate of 12 mills. Tax and penalty revenue attributed to the 2.5 mills portion is deposited in the School Fund, as well as all license fees. All other cigarette taxes are deposited in the General Fund. All tobacco products taxes are deposited in the General Fund.

We hope this information is useful to you and if you need further assistance, please contact this office.

Attachment

- Tobacco Tax in ALASKA
- Leg. Research Agency 6/15/95 -

Comparison of FY 95 Tobacco Tax Revenue: Current Rate and Several Proposed Increases

Cigarette Packages	Estimated FY 95 Revenues with Existing 29 cent Tax	Estimated FY 95 Revenues with Proposed 45 cent Tax	Estimated FY 95 Revenues with Proposed 79 cent Tax	Estimated FY 95 Revenues with Proposed \$1.29 Tax
Cigarette Packages Sold	53,214,090	53,214,090	53,214,090	53,214,090
Tax on Packages of Cigarettes	\$ 15,432,086	\$ 23,946,340	\$ 42,039,131	\$ 68,646,176
Tobacco Products	Estimated FY 95 Revenues with Existing 25% Tax	Estimated FY 95 Revenues with Proposed 35% Tax	Estimated FY 95 Revenues with Proposed 45% Tax	Estimated FY 95 Revenues with Proposed 55% Tax
Whole Price of Tobacco Sold	\$ 5,857,904	\$ 5,857,904	\$ 5,857,904	\$ 5,857,904
Tax on Tobacco Products	\$ 1,464,476	\$ 2,050,266	\$ 2,636,057	\$ 3,221,847

JUN 13 1995 10:00 AM
 LEGISLATIVE RESEARCH AGENCY
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