



Published by

**HEALTHY CHOICES FOR
MIND AND BODY**

Written by Ann Gerhardt, MD

How Much Of A Cigarette Tax Boost Is Enough?

by Ann Gerhardt, MD

3/7/09

www.healthychoicesformindandbody.org

On February 4 President Obama signed into law Congress' federal cigarette tax boost of 62 cents per cigarette pack to \$1.01 per pack. As part of the Children's Health Insurance Program Reauthorization Act of 2009, the new cigarette tax and lesser increases on other tobacco products took effect on April 1, 2009.

The Campaign for Tobacco-FREE Kids anticipates that the increase will induce more than 1 million adult smokers to quit and prevent 2 million kids from becoming addicted. Increased tax dollars will pay for health-related consequences of smoking and smoking cessation programs.

Prior to the increase, the federal excise tax on cigarettes was 39 cents per pack. Congress last voted to raise the federal cigarette tax in 1997, when it passed a two-stage increase of 10 cents that went into effect January 2000 and another five cents that went into effect January 2002. The resulting 39-cent rate, with its gradual introduction, failed both as a disincentive to light up and to keep up with the inflationary price of cigarettes.

In spite of past cigarette tax escalation under Presidents Reagan, George H. W. Bush and Clinton to the 39 cent rate, increases have not keep up with the times. Thirty nine cents is significantly lower in real dollars and as a percentage of cigarette prices than the tax that existed before the first Surgeon General's report on smoking in 1964.

The 1960 rate of 8 cents per pack accounted for almost a third of the average retail cigarette price (26 cents per pack). The average retail price for cigarettes now is more than \$4.00 per pack (range \$2-\$10), and the pre-hike federal tax of 39 cents per pack accounted for less than 10 percent of the average retail price.

Raising federal cigarette tax rates back to the 1960 level of 31 percent of the average retail price would have required an increase of 95 cents per pack. To keep the federal excise tax in line with the Consumer Price Index, the tax should have been increased by \$1.13 per pack.

The average state cigarette tax has increased from 5 cents to \$1.19 per pack, far out-pacing federal increases, because states bear the brunt of tobacco-related health care costs. Cigarette tax in European Union nations ranges from \$2 to \$10 per pack. We could have done more, but a 62 cent increase is better than nothing. ¶