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Expected Health and Economic Impacts of a One Dollar Increase in the Mississippi Cigarette Tax

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BACKGROUND

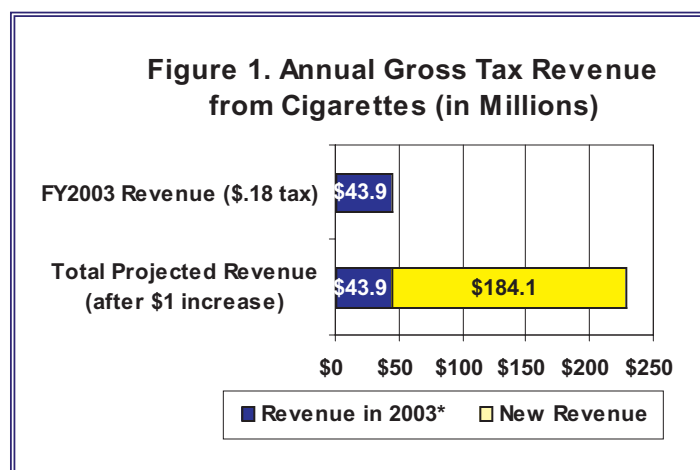
Tobacco is the leading cause of preventable death in the United States. Each year, 4,900 Mississippi adults die from smoking. The annual costs in Mississippi directly caused by smoking are \$561 million; of this figure, \$206 million is covered by Medicaid. These Medicaid medical expenditures translate to \$470 per household each year. As of November 2004, the average state cigarette tax was \$.84 per pack. Taxes range from \$.03 in Kentucky to \$2.46 in Rhode Island. Mississippi charges \$.18. Four states have a lower tax; 45 states plus the District of Columbia have a higher tax. The last increase in Mississippi's state cigarette tax occurred in 1985. Thirty-seven states and the District of Columbia have raised their state tobacco tax since 2002.

IMPACTS ON SMOKING

A 10% increase in the price of a pack of cigarettes could be expected to reduce overall cigarette consumption by 3% to 5%. Based on these figures, it is expected that a one dollar increase in the state cigarette tax could

- reduce overall cigarette consumption by approximately 12%,
- reduce the number of adults who smoke by 31,000, and
- reduce the number of future adolescent smokers by 51,000.

ECONOMIC IMPACTS



* Mississippi Department of Revenue

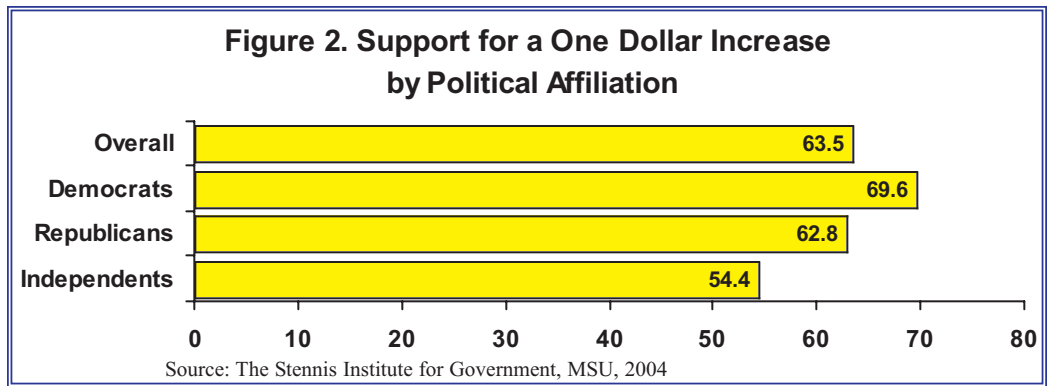
Although it is expected that a \$1.00 increase in the state cigarette tax would decrease the number of packs of cigarettes sold in Mississippi, the increased amount of tax on each pack could still provide Mississippi with an additional \$184.1 million in cigarette tax revenue per year. Sales tax revenues could also increase because sales tax would be applied to all the underlying retail prices, including the cigarette tax.

Mississippi could also experience substantial health care savings due to reductions in smoking. A one dollar increase could

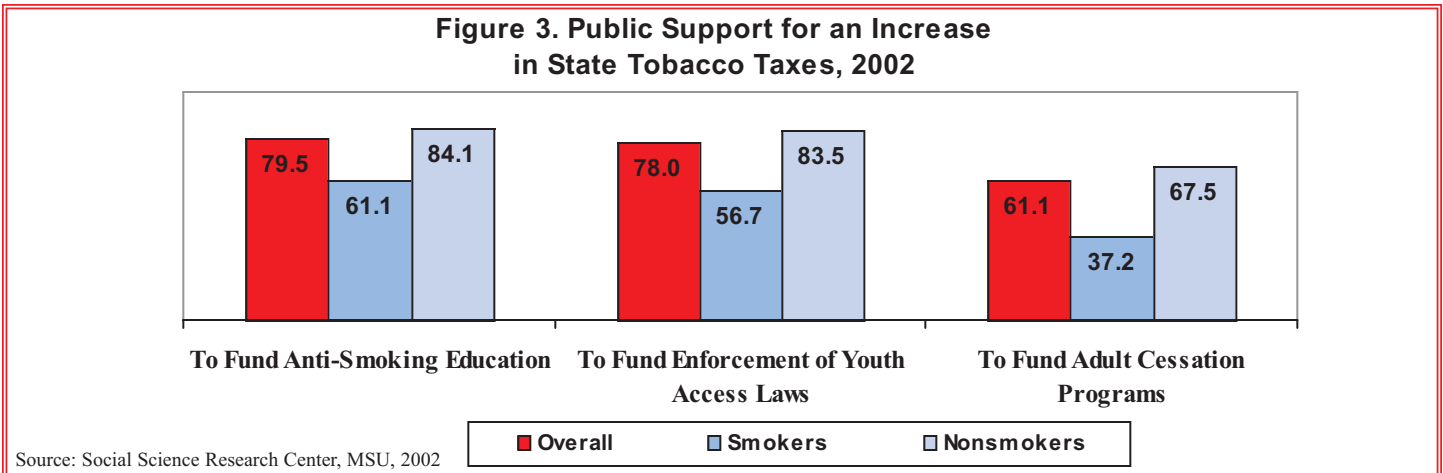
- save \$14.5 million in heart attack and stroke costs over the next 5 years, and
- save \$6.3 million in smoker-affected pregnancy and birth costs over the next 5 years.

PUBLIC SUPPORT

An MSU survey in 2004 demonstrated substantial bipartisan support among Mississippi adults for a \$1.00 increase in the state cigarette tax. Researchers found little variation in public opinion between people who reported that they were Republicans, Democrats, or Independents.



Most adults in Mississippi support an increase in the state tobacco tax, according to the Social Climate Survey of Tobacco Control (2002) conducted by the Social Science Research Center at MSU. To better understand the context of the support for the tax, respondents were asked about increasing the state tobacco tax in order to fund 1) education to prevent young people from starting to smoke, 2) programs to enforce laws that prevent sales of tobacco to minors, and 3) programs to help adults quit smoking. Almost 80% of Mississippi adults and approximately 6 out of 10 smokers supported an increase in state tobacco taxes if the increased revenue was used to fund youth-focused programs.



CONCLUSION

A review of numerous studies and the experiences of other states indicates that a one dollar increase in the state cigarette tax could reduce the health and economic burden of tobacco on Mississippi, while concurrently increasing state revenue. In addition, an increased state cigarette tax is supported by a majority of Mississippi adults.

AUTHOR

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The full report is available at <http://www.healthpolicy.msstate.edu/publications/1taxincreasefull.pdf>.

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For a full list of sources, please visit: <http://www.healthpolicy.msstate.edu/publications/dollartaxincrease.pdf>

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