

AMERICANS *for* TAX REFORM

Ohio Cigarette Tax Hike A Boon for Northern Kentucky

Bracey Parr

December 15, 2015

Ohio's recent cigarette tax hike has sent smokers over the border to purchase cheaper tobacco, according to Kentucky's State Budget Director John Cilton. The Kentucky Budget Office's **latest report** notes a hefty spike in the percent of tax receipts collected from cigarettes, up 6.5 percent in November and 1.9 percent overall, citing Ohio's "recent increase in tobacco taxes" as the most likely culprit.

With **House Bill No. 64**, the Ohio General Assembly unwisely chose to push millions of dollars in commerce and tax revenue into northern Kentucky, where the **excise tax on cigarettes** is less than half of Ohio, coming in at 60 cents a pack. With the 35-cent increase from the previous rate of \$1.25 per pack, Ohio now has the **23rd highest tax** on cigarettes in the nation at \$1.60 per pack.

A recent study by the **Cato Institute** found that tax hikes on cigarettes hardly affect addicted, adult consumers, and that they impose a burden on low-income families. Instead of quitting, consumers change their behavior to avoid tax hikes, but doing things like purchasing tobacco in less expensive markets. Thus, not only do higher excise taxes on tobacco hurt a states' economy, they often fail to affect their intended targets' habits.

Ohio's 35 cents per pack cigarette tax hike has not only been a boon for northern Kentucky, but it has harmed small businesses in Ohio as well. The consumers who have decided to purchase tobacco in Kentucky will no longer frequent many of the convenience stores in Ohio, which rely on as much as 40% of revenue for tobacco sales. Tens of thousands of dollars will be lost as a result of Ohio's increased reliance on cigarettes for its state budget.

This serves as a lesson for money-hungry legislators hoping to profit off of low-income consumers' addiction to tobacco. Cigarette taxes are volatile and often result in a net tax gain for border states.