



Regressive cigarette tax hikes hardly improve health

By [Jason Russell](#) | December 26, 2014

Public health claims that cigarette tax hikes are needed to discourage smoking are going up in flames.

New research counters the conventional wisdom that more cigarette tax hikes would result in less smoking. While cigarette taxes in general have resulted in less smoking, additional tax hikes would be ineffective since current smokers are already taxed so much. Roughly 42 percent of the average cost of a pack of cigarettes already comes from taxes. Those who smoke in spite of this much taxation clearly have a strong preference for smoking, possibly because of its addictive nature.

“The association between cigarette taxes and either smoking participation or number of cigarettes smoked is small, negative, and not usually statistically significant,” researchers wrote. Under their model, a \$1 increase in federal cigarette taxes would cut smoking by less than 1 percent.

President Obama proposed a \$0.94 per pack increase in federal cigarette taxes in his budget for fiscal year 2015, an estimated \$78 billion tax increase.

That would mean more government revenue, but it would largely come from low-income smokers. The smoking rates among those in poverty are roughly 12 percentage points higher for men and women than those with earnings above the federal poverty line.

Low-income earners also spend a greater portion of their money on cigarettes than high-income earners do. “From 2010 to 2011, smokers earning less than \$30,000 per year spent 14.2 percent of their household income on cigarettes, compared to 4.3 percent for smokers earning between \$30,000 and \$59,999 and 2 percent for smokers earning more than \$60,000,” according to researchers. A \$1 increase in federal cigarette taxes would cost approximately \$450 a year for someone living on \$20,000 to \$25,000 a year.

The results of the study suggest that further cigarette tax increases would take income from the poor with little, if any, public health benefit. Health advocates hoping to reduce smoking rates will have to seek other, more effective, methods to cut smoking.

The current federal cigarette tax is approximately \$1.01 per pack. Every state levies its own excise tax rate. The levels range from \$4.35 per pack in New York to \$0.17 per pack in Missouri. Counties and cities often levy their own cigarette taxes as well. New York City collects \$1.50 per pack. Cook County and the City of Chicago combine to collect \$4.18 per pack, on top of Illinois' \$1.98 per pack tax. Since 2002, 47 states have raised their cigarette taxes — at least 110 times combined.

The research was conducted by Kevin Callison and Robert Kaestner, both professors of economics at the University of Illinois at Chicago. Their findings are summarized in the Winter 2014-15 issue of *Regulation*, a journal published by the libertarian Cato Institute.

Callison and Kaestner analyzed 19 states enacting 22 large cigarette tax increases between 1995-2007. They compared the effects of the tax increase in an affected state to a control state with similar smoking rates and demographics. To ensure their model was valid, the authors implemented a placebo-like procedure to test whether a pseudo-tax increase would affect cigarette consumption. The data used in their model was collected from the Current Population Survey Tobacco Use Supplement, which is collected by the Census Bureau and the Bureau of Labor Statistics.