



## Increased Tobacco Taxation Rates

### Background

The state of Indiana's most recent cigarette tax increase came ten years ago in 2007, when the tax was raised from 44 cents to 99.5 cents per pack.<sup>1</sup> Indiana's tobacco tax rate is currently the 13<sup>th</sup> lowest rate in the nation, and six of the twelve states with lower tobacco tax rates are tobacco-producing states.<sup>7</sup> There is a large body of evidence suggesting that raising taxes on tobacco products is an effective way to curb smoking and tobacco use rates, particularly among high-risk subpopulations.

### Current Research

A summary of current research conducted by Bader, Boisclair, and Ferrence (2011) found that price increases are particularly effective in reducing rates of smoking among youth and young adults, as well as individuals with low-socioeconomic status.<sup>2</sup> These populations are more sensitive to price than higher-income individuals and adults. Estimates suggest that for every 10% price increase of tobacco products, youth consumption would drop 3-5 percent.<sup>4</sup>

The summary also examined the state of current research on other populations, including "dual-diagnosis" smokers (individuals who smoke and have a co-occurring mental disorder) and heavy or long-term smokers, but did not find sufficient research to support a conclusion on how tax increases affect these particular groups. The article also noted that price increases should be accompanied by increased treatment support programs, to curb negative effects resulting from price increases on those who are unable to stop smoking.

The World Health Organization's (WHO) 2008 Report on the Global Tobacco Epidemic offered support for Bader et al.'s conclusion that increased tax rates are very effective at aiding smoking cessation, particularly among the young and poor. The WHO includes raising tobacco taxes among the six strategies outlined in their "MPOWER" plan to reduce the global burden of smoking-related health consequences.<sup>3</sup> They also offer evidence that increasing tax rates, despite reducing tobacco use, will have a positive effect on governmental revenue generated from tobacco sales. Similarly, the Surgeon General's report on the prevention of youth tobacco use concluded that there is more than sufficient evidence to support increased taxation as an effective means to curb youth consumption of tobacco, including initiation, prevalence, and intensity of use.<sup>4</sup>

F.J. Chaloupka's research on the effect of tax increases on tobacco use not only supports these previously discussed findings, but also offers strong rebuttals for common complaints related to tax increases, including the idea that increased tobacco prices will result in increased use of alternate substances such as marijuana or alcohol. His analysis of current research suggests that the opposite is true—an increase in the price of cigarettes is not correlated with any increase in marijuana or alcohol usage rates or usage frequency. In fact, it may actually be correlated with a decrease in the use of these substances.<sup>5</sup> Studies have also shown that the detrimental effects of price increases resulting from financial hardship are far less significant (42-257 times smaller) than the detrimental effects of tobacco use.<sup>6</sup> This implies that any negative health outcomes



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resulting from reduced financial means (for smokers who continue to smoke despite high tax rates) are outweighed by the positive health outcomes for those who stop smoking due to high tax rates. Most major researchers and health organizations support the use of increased tobacco tax rates as a method to reduce tobacco consumption, some even going so far as to say that such policy changes are the single most effective way to curb consumption, including both continued use and initiation rates. However, researchers note that in order to maintain or maximize this efficacy, tobacco rates must be kept continually equivalently high through regular adjustments to account for inflation.

Additionally, some researchers suggest that tax revenue from tobacco sales be earmarked for the implementation of tobacco cessation and other support programs.<sup>5</sup> This practice may help to ensure that those who attempt to quit smoking are well-supported throughout these efforts, and help to eliminate undue financial burden through increased access to cessation support.

## Community Resources

If you believe that tobacco consumption is negatively affecting the health of your community, there are resources which can help you investigate this issue.

- To examine tobacco outlet density in your county, visit [drugs.indiana.edu](http://drugs.indiana.edu) and click “County Profiles Data” under “Regional Data.”
- To examine tobacco spending in your county, follow the same steps as above, then [click “Laws and Norms.”](#)
- For a summary of past tax increases across the United States in previous years, visit [Tobacco Free Kids](#).

- For more data specific to tax rates and youth tobacco usage, see [Tobacco Free Kid’s fact sheet](#).
- For information about Indiana’s tobacco use & tobacco cessation programs, visit the [American Lung Association’s page on state rankings](#).
- Since changes in tax rates must occur at the state level, advocacy is essential for change. For information about tobacco tax-related advocacy, visit [Raise it for Health](#) or the [Alliance for a Healthier Indiana](#).

## References

- <sup>1</sup> Campaign for Tobacco Free Kids. (2016). *Cigarette tax increases by state per year 2000-2017*. Retrieved from <https://www.tobaccofreekids.org/research/factsheets/pdf/0275.pdf>
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- <sup>3</sup> World Health Organization. (2008). WHO Report on the Global Tobacco Epidemic, 2008: The MPOWER package. Geneva, World Health Organization.
- <sup>4</sup> U.S. Department of Health and Human Services. (2012). Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General. Atlanta, GA: U.S. DHHS, CDC, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health.
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- <sup>6</sup> Wilson, N., Thomson, G., Tobias, M., & Blakely, T (2004). How much downside? Quantifying the relative harm from tobacco taxation. *Journal of Epidemiology and Public Health*, 58(6) 451-454.
- <sup>7</sup> Campaign for Tobacco Free Kids. (2017). *State cigarette excise tax rates and rankings*. Retrieved from <https://www.tobaccofreekids.org/research/factsheets/pdf/0097.pdf>