



**For Immediate Release**  
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## **New Study Confirms \$1 Cigarette Tax Increase Will Produce Large, Sustained Revenue Needed to Cut North Carolina Budget Deficit**

*Raleigh, NC* – As the legislative session begins, a report released today by a tobacco policy expert at the University of Illinois at Chicago confirms that a significant cigarette tax increase in North Carolina will produce a large, sustained increase in state tobacco tax revenues. Several states, including South Carolina have recently raised tobacco taxes to deal with budget shortfalls.

“This report joins the mountain of evidence showing why raising the cigarette tax is exactly what North Carolina needs to help tackle our budget problems,” said Pam Seamans, Executive Director of the North Carolina Alliance for Health. “As we saw last week in South Carolina more states are increasing the cigarette tax to raise revenue and protect vital programs like education and law enforcement from deep cuts, while preventing kids from smoking and saving lives at the same time,” she said.

Health advocates are calling on the Legislature and Governor Perdue to increase the state cigarette tax by \$1 per pack, and also increase the tax on other tobacco products, in order to raise much-needed revenue and reduce tobacco use at the same time.

“A \$1.00 cigarette tax increase would prevent 84,000 North Carolina kids from becoming smokers and prompt 52,000 adult smokers to quit. It would also prevent more than 40,000 smoking caused deaths.

At the same time, the state would generate approximately \$366.2 million in new annual revenue while realizing \$1.9 billion in long-term health care savings,” said Seamans. “ This is a win-win for North Carolina.”

Dr. Frank Chaloupka developed the report in conjunction with the Campaign for Tobacco Free Kids and the North Carolina Alliance for Health. The key findings of the report are:

- Significant cigarette excise tax increases generate significant increases in cigarette tax revenues.
- After the rate increase, the level of tobacco tax revenue collection will remain higher than without a rate increase, despite ongoing declines due to reduced tobacco use.
- Allocating some of the revenues from the rate increase to state comprehensive tobacco control programs will reduce tobacco use, but the resulting slow declines in revenue will be offset by reductions in health care costs due to tobacco-related diseases.

**The study provides direct evidence from actual state experiences that confirms that significant cigarette tax increases have always produced substantial amounts of new revenues (compared to what the state would have received without the increase), both immediately and over extended periods of time, and despite any and all related decreases in taxed state pack sales.**

Health Economist Mark Holmes, PhD, Assistant Professor Health Policy and Management at the UNC Gillings School of Global Public Health, reviewed the report and said, “Decades of research provides us with the undeniable evidence that increases in the cigarette tax save lives and bolster state revenues. This study, conducted by [Dr. Chaloupka] one of the most internationally renowned experts in this field, demonstrates the magnitude of the potential benefits to North Carolina.”

“To maintain, or even increase, our cigarette tax revenues over time, North Carolina can take a number of additional actions, in addition to periodically increasing the cigarette tax rates,” said Pam Seamans, Executive Director of the North Carolina Alliance for Health. “We are one of only three states that does not have a tax stamp on cigarettes and could implement high-tech tax stamp to ensure that taxes are paid and to prevent cigarette smuggling and tax evasion,” she said. “This will become especially important now that South Carolina has increased its cigarette tax to 57 cents.”

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### **Background:**

Dr. Frank Chaloupka is a Distinguished Professor of Economics at the University of Illinois at Chicago’s College of Liberal Arts & Sciences and its School of Public Health’s Division of Health Policy and Administration.

### **North Carolina Alliance for Health:**

The North Carolina Alliance for Health is an independent, statewide coalition of public, private, professional and nonprofit organizations advocating for obesity and tobacco use prevention policies before North Carolina’s legislative and executive branches. Alliance members and partners include the American Heart Association, the American Cancer Society, the American Cancer Society Cancer Action Network, American Lung Association, NC Pediatric Society, NC Prevention Partners, Local Health Directors Association, State Employees Association of NC, March of Dimes, American Diabetes Association, the NC Health Access Coalition, the Covenant with NC’s Children, AARP, the Council of Churches, the Christian Action League and many others.