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North Carolina Would Raise \$365.8 - \$386.5 Million and Prevent 98,000 Kids from Smoking
By Increasing Cigarette Tax to 70 Cents a Pack, Independent Studies Show

WASHINGTON, DC - An independent study released today concludes that North Carolina would raise \$365.8 - \$386.5 million in new revenue by increasing its cigarette tax to 70 cents a pack, which is approximately the national average among states.

RTI International, an independent North Carolina research group from Research Triangle Park examined the impact on nine southern states of raising their cigarette tax to the national average (which was 70 cents per pack at the time the study was completed in July and is now 72.9 cents). It concluded that each state would raise far more revenue than it would lose due to smoking declines and smokers' efforts to avoid the increase. The study refutes tobacco industry arguments that tobacco taxes are not a reliable source of revenue.

A second analysis, released by the Campaign for Tobacco-Free Kids, found that if North Carolina increased its current 5-cent cigarette tax by 65 cents to 70 cents a pack, it would prevent some 98,000 kids alive today from becoming smokers, save 45,100 residents from smoking-caused deaths, and save about \$1.7 billion by reducing long-term, smoking-caused health care costs. This analysis is based on economic models showing that every 10 percent increase in the price of cigarettes reduces youth smoking by about 6.5 percent and overall cigarette consumption by about 4 percent.

Nationally, 32 states and the District of Columbia have increased cigarette taxes since January 1, 2001. But only three of the nine southern states studied - Georgia, Tennessee and West Virginia - have done so (and their cigarette taxes remain well below the national average) despite the clear evidence of the benefits of tobacco tax increases and polls showing strong public support in the southern states for increasing tobacco taxes.

"It is alarming how far Southern states are from meeting the goals the nation has set in raising cigarette excise taxes," said Trish Dever, regional director of the Southern Neighbors Collaborative, which works to raise cigarette taxes in southern states. "Tobacco states deserve the same cost effective policies that states across the country are adopting, such as increasing cigarette taxes to help reduce youth smoking."

"Increasing tobacco taxes is a win-win-win solution for North Carolina that will raise much-needed revenue to fund vital programs, reduce smoking among both kids and adults, and be politically popular with voters," said William V. Corr, Executive Director of the Campaign for Tobacco-Free Kids. "North Carolina's leaders should ignore the tobacco companies' misleading arguments and put kids first by increasing the cigarette tax to at least the national average."

The nine states examined in the study are Alabama, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. While the current average cigarette tax for all 50 states and the District of Columbia is 72.9 cents per pack, the average cigarette tax for the nine southern states is only 18.2 cents per pack. Cigarette tax rates for these states range from a low of 2.5 cents in Virginia and 3 cents in Kentucky to 37 cents in Georgia and 55 cents in West Virginia.

In addition to finding that all nine southern states would raise more revenue by raising their cigarette taxes, the RTI study also found:

- Declines in demand for cigarettes following tax increases in the nine southern states would not have a significant economic impact on tobacco farming and cigarette manufacturing. The report estimates that even if all of the nine southern states raised their cigarette taxes to 70 cents, the total national decline in cigarette sales would be only 2.2 percent (of 2001 sales).
- Tax avoidance among smokers typically occurs only in the initial period after a cigarette tax increase takes effect, and then subsides. Sales typically settle on a new level lower than before the increase.
- If the lowest tax states - North Carolina, Kentucky, and Virginia - raised their cigarette taxes to 70 cents per pack, it would eliminate much of the illegal cigarette smuggling that occurs in the U.S.

Numerous polls conducted in states across the country, including in the South, have consistently shown support for cigarette tax increases. A June 2002 North Carolina poll showed 62 percent of voters favored a 50-cent per pack cigarette tax increase. The finding is consistent with poll results in other southern states. For example, in Georgia, 71 percent of voters supported a 75-cent per pack cigarette tax increase; in South Carolina, 70 percent of adults favored a 53-cent cigarette tax increase; and in Virginia, 67 percent favored a 60-cent per pack increase.

Since January 1, 2002, 32 states, the District of Columbia and Puerto Rico have implemented or approved cigarette tax increases. Preliminary evidence from these jurisdictions confirm that cigarette taxes increase revenues and reduce smoking. States showing substantial increases in revenue despite significant pack sales declines include Massachusetts (75-cent increase to \$1.51 per pack), Michigan (50-cent increase to \$1.25 per pack), Nebraska (30-cent increase to 64 cents a pack) and Rhode Island (32-cent increase to \$1.32 per pack). Michigan, for example, collected \$104 million more in cigarette tax revenue in the last five months of 2002 compared to the year before despite a 15.5 percent reduction in cigarette pack sales. In New York City, where the combined state and local cigarette tax rate has increased to \$3.00 per pack, the city is on track to bring in a quarter of a billion dollars in new revenue over the first year despite sharp declines in cigarette sales.

In North Carolina, smoking kills 11,500 people and costs the state \$1.62 billion in health care costs each year. 27.8 percent of high school students currently smoke in North Carolina and 24,600 more kids become regular, daily smokers every year, one-third of whom will die prematurely.

Tobacco use is the leading cause of preventable death in the United States, killing more than 400,000 people and costing the nation more than \$75 billion in health care costs each year. Every day, another 2,000 kids become regular, daily smokers, one-third of whom will die prematurely as a result.

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A complete copy of the findings from the RTI International report, "Impact of Cigarette Tax Increases in Low-Tax Southern States..." can be found at <http://www.rti.org>

For additional information on cigarette company arguments against cigarette taxes, visit <http://tobaccofreekids.org/research/factsheets/pdf/0227.pdf>.

The Southern Neighbors Collaborative is a partnership of public health organizations in Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia and West Virginia focused on bringing the benefits of higher cigarette taxes to southern, tobacco states. More information is available at www.savesouthernkids.org.