



## Tobacco Excise Taxes

### Background

- Increases in cigarette prices lead to substantial reductions in cigarette smoking for youth, young adults, and those with low income.<sup>1</sup>
- In 2009, the federal cigarette tax increased \$0.62 per pack making federal tax on a pack of cigarettes \$1.01 per pack, where it remains.<sup>2</sup>
- As of March 2021, the average state tobacco excise tax is \$1.91/pack,<sup>2</sup> and every state that has increased its cigarette tax significantly has experienced a substantial increase in revenue.<sup>3</sup>
- The emergence of new products such as e-cigarettes and other vaping products and heated tobacco products has added new complexity and challenges for efficient and effective taxation.<sup>4</sup> Currently, the federal government does not tax e-cigarettes or heated tobacco products.

### Fast Facts:

1. The Congressional Budget Office has concluded that a 10% increase in the price of a pack of cigarettes would reduce youth smoking by 5-15%, and adult smoking by 3-7%.<sup>5</sup>
2. Tobacco tax increases save lives, provide revenue for local, state, and federal governments, and they have the strong support of the public.<sup>3</sup>

### The American Heart Association's Position<sup>6</sup>

- *The American Heart Association advocates for significant increases in tobacco excise taxes at the federal, state, county and municipal levels.*
  - The AHA advocates for significant tobacco tax increases of \$1 or more at the state level.
- *E-cigarettes and smokeless tobacco, as long as they are not regulated by FDA as modified risk products, should be taxed at parity with other tobacco products.*
  - Taxes on vaping products should be high enough to discourage youth use and should be accompanied by a **simultaneous increase on cigarette taxes** and other tobacco products to incentivize switching to potentially less harmful products.<sup>4</sup>
  - *Tobacco excise taxes should be highest for combustible products while FDA-approved modified risk products would be taxed at a lower rate, and tobacco cessation aids should not be taxed at all.*
    - Differential taxation could also be accompanied by marketing restrictions.
- *As the AHA works towards the Tobacco Endgame and ending nicotine addiction, it is imperative that tobacco tax revenue be dedicated to programs and services that help people quit and keep kids from ever starting.*

For more information and resources from the American Heart Association's policy research department on tobacco please visit: <https://www.heart.org/en/about-us/policy-research>.

## Policy At A Glance: Tobacco Excise Taxes

### References

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3. Campaign for Tobacco-Free Kids (TFK). *Tobacco tax increases are a reliable source of substantial new state revenue.*; 2017.
4. Chaloupka FJ, Tauras JA. *Taxation of emerging tobacco products*. Chicago: Tobacconomics; 2020.
5. Congressional Budget Office. 2012. Raising the Excise Tax on Cigarettes: Effects on Health and the Federal Budget. Retrieved from: [http://www.cbo.gov/sites/default/files/cbofiles/attachments/06-13Smoking\\_Reduction.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/06-13Smoking_Reduction.pdf) . Accessed on February 19, 2018.
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