

# CIGARETTE PRICE INCREASE



## IMPACT OF SMOKING IN OKLAHOMA

- Smoking remains the number one preventable cause of death in Oklahoma killing more people than AIDS, alcohol, car accidents, illegal drugs, murders and suicides combined<sup>i</sup>
- 88,000 Oklahoma kids (0-17) alive today will die prematurely of smoking related illnesses<sup>ii</sup>

## WHY INCREASE CIGARETTE TAX?

- Increasing the price point of cigarettes is the single most effective strategy to reduce cigarette consumption<sup>iii</sup>
- Increasing the cigarette tax deters children and adolescents three times more than adults<sup>iv</sup>
- Increasing the unit price for cigarettes by \$1.50 per pack would:
  - Reduce overall consumption of cigarettes by 26 million fewer packs sold in the first year
  - Reduce prevalence of adult smoking use by 5% with 30,400 adults who would quit smoking in the first year<sup>v</sup>
  - Prevent 28,200 kids alive today from becoming adult smokers<sup>v</sup>
  - Reduce health-related disparities among income groups over time<sup>vi</sup>
- Reducing overall consumption substantially would:
  - Reduce Oklahoma's annual healthcare costs caused by smoking<sup>ii</sup>
    - ✓ Oklahoma spends \$1.62 billion including \$264 million in Medicaid costs<sup>ii</sup>
    - ✓ Oklahoma households pay \$899 annually in federal and state taxes to cover smoking-related healthcare costs<sup>ii</sup>
  - Generate long-term healthcare cost savings of \$1.22 billion
  - Put nearly \$2,000 annually in the pockets of those who quit<sup>vii</sup>

- The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General, 2014, available at: <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/consumer-guide.pdf>
- Campaign for Tobacco-Free Kids. The Toll of Tobacco in Oklahoma. Updated 11.1.16, available at: [https://www.tobaccofreekids.org/facts\\_issues/toll\\_us/oklahoma](https://www.tobaccofreekids.org/facts_issues/toll_us/oklahoma)
- The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General, 2014, available at <http://www.surgeongeneral.gov/library/reports/50-years-of-progress/consumer-guide.pdf>
- The National Cancer Institute: Smoking and Tobacco Control Monograph No. 14. The Impact of Price on Youth Tobacco Use. March 2012, available at: [http://cancercontrol.cancer.gov/brp/tcrb/monographs/14/m14\\_12.pdf](http://cancercontrol.cancer.gov/brp/tcrb/monographs/14/m14_12.pdf)
- Campaign for Tobacco Free Kids. New Revenues, Public Health Benefit and Cost Savings from a \$1.50 Cigarette Tax Increase in Oklahoma. Updated 1.09.17, available at: <http://www.tobaccofreekids.org/research/factsheets/pdf/0386.pdf>
- Centers for Disease Control and Prevention. Best Practices User Guide: Health Equity in Tobacco Prevention and Control. Atlanta: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2015.
- Campaign for Tobacco-Free Kids. Immediate Smoker Savings From Quitting in Each State. Updated 1.3.17, available at: [https://www.tobaccofreekids.org/facts\\_issues/fact\\_sheets/policies/cessation/](https://www.tobaccofreekids.org/facts_issues/fact_sheets/policies/cessation/)

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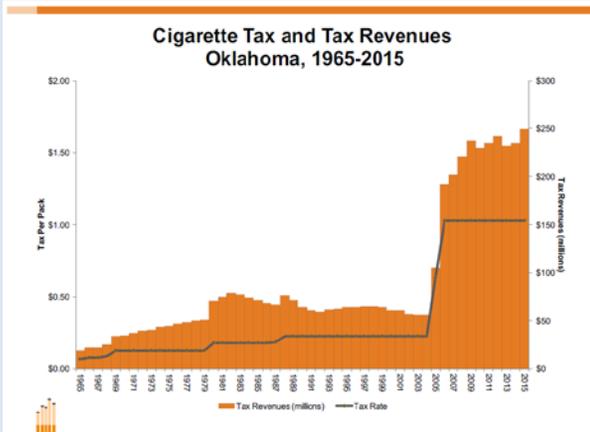
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# CIGARETTE TAX MYTH BUSTERS

**Myth:** Cigarette tax revenue will rapidly decline as smoking decreases.

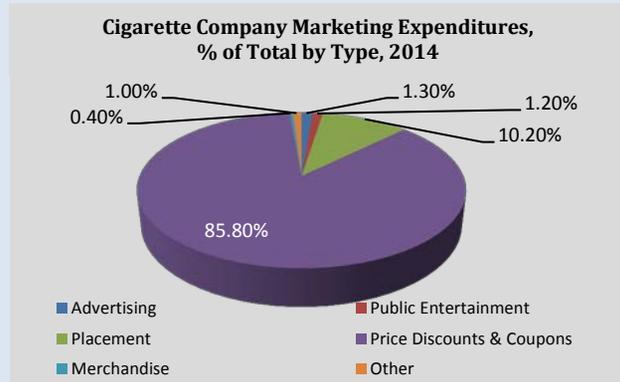
**Truth:** Cigarette tax revenue is stable and predictable. Reductions in revenue can be projected and occur over a period of time.



Source: Chaloupka, F. *The Economics of Tobacco Taxation in Oklahoma*. Stephenson Cancer Center— Cancer Research Symposium presentation. January 2016.

**Myth:** Small changes in cigarette tax will significantly reduce the number of smokers.

**Truth:** Cigarette companies spend 85.8% of their \$8.5 Billion marketing dollars in price discounts and coupons to limit the impact of increases. The health impacts of small price changes are reduced through coupons and discounts.



Source: Federal Trade Commission. *Federal Trade Commission Cigarette Report for 2014*. Washington: Federal Trade Commission, 2016.

**Myth:** Smaller cigarette tax will gain more public support.

**Truth:** More than 65% of Oklahoma voters support a cigarette tax of \$1.50 per pack. Favorability is not gained by lowering the tax.

Further, 74% of Oklahoma voters support increasing the cigarette tax to fund healthcare.

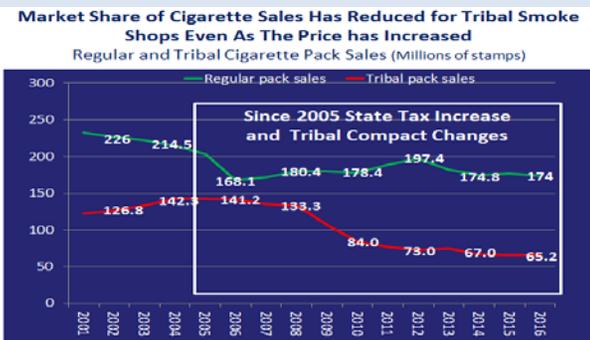


Surveys of Oklahoma residents registered to vote, conducted by Cole, Hargraves, Snodgrass & Associates, December 2016 and April 2016.

**Myth:** Increasing the cigarette tax will drive consumers to tribal tobacco shops for cheaper products.

**Truth:** Market share of cigarette sales has decreased for tribal tobacco shops in Oklahoma even as the price of cigarettes has increased.

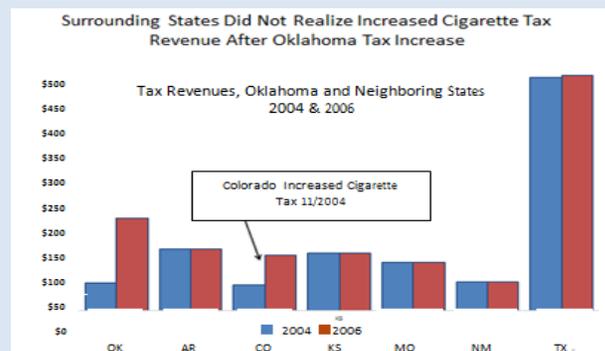
Tribal compacts require tribal vendors to collect the full state tax in effect at the time of sale.



Source: Oklahoma Tax Commission, cumulative monthly reports shared with OSDH. 1993 – 2016.

**Myth:** People will cross the state border to buy cheaper cigarettes out of state.

**Truth:** No surrounding state realized an increase in cigarette tax revenue after Oklahoma raised the cigarette tax in 2005 with the exception of Colorado. Colorado also increased their cigarette tax in 2005.



Source: Chaloupka, F. *The Economics of Tobacco Taxation in Oklahoma*. Stephenson Cancer Center— Cancer Research Symposium presentation. January 2016.

**Myth:** Increasing the cigarette tax will drive consumers to tribal tobacco shops for cheaper products.

**Truth:** In 2013 - 2015 tribal tobacco compacts were rewritten to require collection of the full state tax in effect at the time of sale. Ninety-eight percent (98%) of tribal tobacco retailers in the State of Oklahoma operate under the new compact.

## Tribal Tobacco Compacts Require Collection of 100% of the State Tax

In 2014 tribal compacts were renegotiated with the following language:

The Compact Payment amount shall be one-hundred percent (100%) of all applicable State taxes on cigarettes and other tobacco products, in effect at the time of sale. The State and Tribe agree that the Payment shall be collected pursuant to paragraphs 9 and 11 of this Compact. The State and Tribe shall divide all monies generated under the Compact Payment according to the following:

Source: Office of the Secretary of State: *Tribal Tobacco Compacts and Agreements executed by the Governor's Office*.