



Tobacco Excise Tax

- Higher Tobacco Prices Reduce Smoking Rates. Economic studies conclude that every 10 percent increase in the price of cigarettes will reduce the total amount of adult smoking by 3 to 5 percent. However, the effects of an increase in cigarette prices are not limited to reductions in cigarette consumption by continuing smokers, but also significant reductions in smoking prevalence, reflecting increased smoking cessation among smokers and reduced smoking initiation among young people.ⁱ
- Youth Are Most Responsive To Increases In Tobacco Prices. Nearly 90 percent of smokers start at or before age 18ⁱⁱ and 20 percent of Iowa high school students are current smokers.ⁱⁱⁱ Increasing tobacco prices is one of the most effective ways to reduce youth smoking because youth have been shown to be two to three times more price sensitive in their demand for cigarettes than adults.^{iv}
- Higher Tobacco Prices Reduce Youth Smoking. Research indicates that a ten percent increase in the price of cigarettes reduces youth smoking prevalence by nearly 7 percent.^v A \$1.00 increase in Iowa's cigarette tax is estimated to reduce youth smoking by 18.8%.^{vi}
- Increased Tobacco Prices Can Reduce Health Care Costs. Iowa taxpayers spend \$301 million each year on Medicaid expenditures related to smoking-related illnesses and disease.^{vii} By lowering consumption, increased tobacco prices can help reduce these costs - a \$1.00 increase in Iowa's cigarette tax is estimated to save state residents \$867.4 million in long-term health care costs for sick smokers.^{viii}
- Higher Tobacco Taxes Will Increase State Revenue. Every state that has increased its tobacco tax in the past has enjoyed increased tax revenues, despite the reductions in smoking and tobacco sales. A \$1.00 increase in Iowa's cigarette tax is estimated to raise \$150.1 million in new state cigarette tax revenue each year.^{ix}
- Tobacco Prices Must Be Increased Regularly To Impact Smoking Rates. For the reductions in youth and adult smoking to be sustained over time, tobacco prices must be increased regularly to ensure that tobacco does not become more affordable due to inflation. Iowa's current cigarette tax of 36 cents per pack has not been increased since 1991 and is one of the lowest in the country (ranked 42nd).

ⁱ Advocacy Institute. Making the Case: State Tobacco Control Policy Briefing Papers. January 2000.

ⁱⁱ U.S. Department of Health and Human Services. Preventing Tobacco Use Among Young People: A Report of the Surgeon General. 1994.

ⁱⁱⁱ Iowa Department of Public Health. Iowa Youth Tobacco Survey. 2004.

^{iv} Chaloupka, F and Ross, H. "The Effect of Cigarette Prices on Youth Smoking." 2001.

^v Chaloupka, F and Grossman, M. "Price, Tobacco Control Policies and Youth Smoking." 1996.

^{vi} National Center For Tobacco-Free Kids. "Iowa Cigarette Tax Increases Estimated New Revenues, Cost Savings and Other Benefits and Effects" October 2006.

^{vii} National Center for Tobacco-Free Kids. "Toll of Tobacco in Iowa"

^{viii} National Center For Tobacco-Free Kids. "Iowa Cigarette Tax Increases Estimated New Revenues, Cost Savings and Other Benefits and Effects" October 2006.

^{ix} Ibid.