



\$1 Per Pack Increase in Iowa's Cigarette Tax Will Reduce Smoking and Improve the Health of Iowans

TOBACCO INDUSTRY RESPONSE:

Increasing the cigarette tax will encourage **cross border sales**.

THE FACTS:

This is an argument perpetuated by the tobacco industry. Increasing Iowa's cigarette tax by \$1 per pack is about **improving the health of Iowans** by reducing smoking rates and dedicating the revenue to health including helping smokers quit.

Every single state that has significantly raised its cigarette tax rate has enjoyed substantial increases to state revenues, despite the fact that **cigarette tax increases reduce state smoking levels** and despite any related increases in cigarette smuggling or cigarette tax avoidance.

The smuggling/tax avoidance problem is a lot smaller than the cigarette companies and their allies say, especially compared to the additional new revenues, public health benefits, and smoking-caused cost reductions from state cigarette tax increases.

Border crossing effects appear very small, with tax evasion through border crossing accounting for an estimated 0.2% of all sales in 1985 and only 0.7% in 2001.¹

It also appears that many smokers who initially try to avoid large state cigarette tax increases soon use up their stockpile of cigarettes purchased right before the increase or tire of driving across state border or going to the internet to buy cheaper cigarettes and return to the convenience of normal full-tax purchases in their own state.²

**Increasing Iowa's cigarette tax by \$1 per pack
is good public health policy.**

¹ Stehr, M, "Cigarette Tax Avoidance and Evasion," Journal of Health Economics 24(2): 277-97, March 2005

² Emery, S et al. "Was There Significant Tax Evasion After the 1999 50 Cent Per Pack Cigarette Tax Increase in California?" *Tobacco Control*. June 2002. Spencer, M., "Incensed Smokers Stock Up Before Tax Rises," *Hartford Courant*, April 3, 2002