

**In Response to  
Calls for Increased Excise Taxes on Cigarettes in New York State**

Price Component	Amount (\$)	Percent of Total
Estimated Average NYS Base Price*	1.620	41.1
MSA Related Price Increases**	0.670	17.0
<b>Current State Excise Tax</b>	<b>0.560</b>	<b>14.2</b>
<b>Current State Sales Tax ***</b>	<b>0.128</b>	<b>3.2</b>
<b>Current Federal Excise Tax ****</b>	<b>0.340</b>	<b>8.6</b>
<b>Scheduled Federal Tax Increase</b>	<b>0.050</b>	<b>1.3</b>
Subtotal	3.368	85.5
Subtotal Tax and MSA	1.748	44.4
<b>Proposed State Excise Tax Increase</b>	<b>0.550</b>	<b>13.9</b>
<b>Sales Tax on Proposed Increase</b>	<b>0.022</b>	<b>0.5</b>
<b>Total</b>	<b>3.940</b>	<b>100.0</b>
<b>Total Tax</b>	<b>2.320</b>	<b>58.9</b>

\* Base Price is the retail price of cigarettes excluding all applicable federal and state taxes and all settlement payments based on estimates by various Wall Street analysts.

\*\* While MSA payments are not a tax, they do amount to revenues transferred directly to state governments. Includes MSA and all related payments.

\*\*\* State sales tax only -- does not include local sales tax or New York City excise tax.

\*\*\*\* Includes 10 cent FET increase scheduled for January 1, 2000.

- Cigarettes are already among the most highly taxed products in the country. As seen in the graph above, sales and excise taxes alone currently account for 52 percent of the average retail price of a pack of cigarettes in New York State.<sup>1</sup>
- Since September 1997, there have been large increases in the retail price of cigarettes.<sup>2</sup> Following the Master Settlement Agreement with the majority of states and US territories and possessions, and individual settlement agreements with Florida, Mississippi, Minnesota and Texas, the manufacturers' price of cigarettes has increased by about \$0.63 per pack.<sup>3</sup>
- In addition, a previously enacted increase in the Federal Cigarette Excise Tax of \$0.05 is scheduled to take place in 2002. This would bring the total portion of the price of cigarettes allocated to the Federal and New York state governments to \$1.75 per pack, over half of the retail price.<sup>4</sup>
- If the state of New York were to further increase the excise tax rate by \$0.55, the total tax on a pack of cigarettes would rise to \$2.32, over 58 percent of the average \$3.94 retail price.

<sup>1</sup> This includes the federal excise tax (including the scheduled increase in January 2000), the current state excise taxes (\$0.56) and 4 percent State sales tax. Total taxes are \$1.75 on an average retail price of about \$3.37.

<sup>2</sup> Nationally, the average price of a pack of cigarettes increased from \$1.94 at the beginning of 1998, to \$3.17 by January 2000.

<sup>3</sup> This is exclusive of any recent discounting by the industry.

<sup>4</sup> Following full implementation of the Multi-State Agreement and subsequent payments to state governments. Prices are based on "list" manufacturer's selling prices and do not include retail adjustment credits, consumer discounts, local taxes, etc.