

## **THE CONSUMER EXCISE TAX ON TOBACCO IN MASSACHUSETTS**

The current **state** cigarette tax in Massachusetts is \$2.60 per carton. If enacted, a \$1.50 per carton increase would raise the tax to \$4.10 per carton, or 58%.

**TAX BURDEN** - Federal, state, and sales taxes on cigarettes in Massachusetts, **currently** represent \$5.44 per carton, or 33% of the price of a carton of cigarettes. (\$2.00 -federal, \$2.60 - state, and 84 cents sales tax; average retail price - \$16.33 per carton).

If enacted, a \$1.50 per carton increase would mean that smokers in Massachusetts will be forced to pay \$7.02 per carton in taxes. Therefore, cigarette taxes will represent 39% of the price of a carton of cigarettes. (\$2.00 - federal, \$4.10 - state, and 92 cents in sales tax; average retail price - \$17.91 per carton).

**UNFAIR** - Smokers in Massachusetts **will** pay approximately \$293 million in cigarette taxes. (\$108 million - federal, \$140 million-state, and \$45 million in sales tax). This contribution is too great for any one group of consumers to bear when they benefit everyone in the state.

**REGRESSIVITY** - Tobacco taxes in Massachusetts take proportionately **3 times** the amount from those with incomes below \$16,400 than from those with incomes exceeding \$90,800. The difference in the tobacco tax burden between the rich and the poor makes this tax one of the most regressive taxes in the U.S. (Source: Citizens for Tax Justice)

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**JOB LOSS** - The tobacco industry creates 89,300 jobs in Massachusetts and these tobacco related jobs receive about \$2.4 billion in compensation.

If enacted, a \$1.50 per carton cigarette tax increase could mean a loss of approximately 2,768 jobs in Massachusetts.  
(Source: The Economic Impact of the Tobacco Industry on the United States Economy)

**CROSS-BORDER ACTIVITY AND BOOTLEGGING** - If enacted, a \$1.50 per carton cigarette tax increase to \$4.10 per carton, would increase the state tax differential between Massachusetts and its neighboring states while increasing the profit incentives to bootleggers. This means significant cross-border traffic with two states where savings would range from \$2.10 in Vermont (\$2.00/carton), 40 cents per carton in Rhode Island (\$3.70/carton), NY \$.20 (\$3.90/carton) to \$1.60 in New Hampshire (\$2.50/carton).

**REVENUE EROSION** - If enacted, a \$1.50 per carton cigarette tax increase could also mean lost packs of about 35 million. In fact, the state will generate 6.8% less per penny of tax after the increase.

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## MASSACHUSETTS REVENUE PROJECTIONS

YEAR	TAX	TAX RATE (¢/PACK)	# PACKS (millions)	TAX REVENUE (\$ millions)	Revenue Per Penny (\$millions)
1992	estimated state excise tax	26	538.9	140.1	5.39
	sales tax rate - or cents per pack	5.00% 8.4		45.3	
			TOTAL	185.4	
1993	<b>Estimated with a 15 cent state excise tax increase</b>	41	478.3	196.1	4.78
	estimated sales tax with a 15 cent increase	5.00% 9.15		43.8	
			TOTAL	239.9	
1993	estimated state excise tax with no increase	26	513.0	133.4	5.13
	estimated sales tax with no increase	5.00% 8.4		43.1	
			TOTAL	176.5	
<b>1993 ADDITIONAL REVENUE:</b>				<b>63.4</b>	

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sales rate = 5% or 8.4¢ p/pk

= sales

89 = 616.6

90 = 587.1

91 = 564.8

A.R.D = 25.9

92 = 538.9

93 = 513

93 w/ 478.3

Rev EROSN = 6.8%

MA @ 15

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