

A \$0.4/PACK EXCISE TAX INCREASE IN MINNESOTA

TAX BURDEN

The tax burden on cigarettes in Minnesota currently represents \$0.85/pack or 40% of the price of a pack of cigarettes.

\$0.24/pack federal tax	\$0.48/pack state tax
\$0.13/pack sales tax	\$2.153/pack average retail price

An excise tax increase of \$0.4/pack would increase the tax burden on cigarettes to \$1.28/pack. Total state, federal, and sales cigarette taxes will represent 50% of the price per pack.

\$0.24/pack federal tax	\$0.88/pack state tax
\$0.16/pack sales tax	\$2.58/pack average retail price

RETAIL & JOB LOSSES

The tobacco industry creates 31687 jobs in Minnesota and these tobacco-related employees receive approximately \$933.8 million in compensation. The state could lose more than 3486 jobs due to the potential cigarette tax increase.

(Based on Price Waterhouse Industry Jobs Data and KPMG Pete Marwick Economic Formulas for Job Loss)

Industry	Jobs Lost
Farming & Manufacturing	0
Wholesale & Retail	436
Sector Supplier	450
Non-Tob. Sector	2600

CROSS-BORDER ACTIVITY AND BOOTLEGGING

The additional \$0.4/pack cigarette tax negatively impacts the excise tax differential between Minnesota and its neighboring states, increasing the profit incentives to bootleggers.

STATE	TAX/PACK	SAVINGS/PACK
MN	\$0.880	*
IA	\$0.360	\$0.52
ND	\$0.440	\$0.44
SD	\$0.230	\$0.65
WI	\$0.380	\$0.50
*	\$0.000	\$0.88
*	\$0.000	\$0.88

UNFAIR

In 1994, smokers in Minnesota paid approximately \$316.3 million in cigarette taxes (\$89.2 million federal, \$178.3 million state, \$48.8 million sales).

This contribution is too great for any one group of consumers to bear when these taxes benefit everyone in the state. (Source: Tobacco Institute)

REGRESSIVE

Excise taxes in Minnesota, such as those on tobacco, take 1.67 times more the amount from the poorer consumers, with incomes below \$14300, than from the middle class with incomes exceeding \$54000.

(Source: Citizens for Tax Justice, 1991 Data)

REVENUE EROSION

The \$0.4/pack cigarette tax increase would mean about 43.92 million packs lost per year. In fact, the state will generate 22% less per penny of tax after the increase.

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Border State Comparisons*

MINNESOTA	Value	National Rank (1=Highest)
Excise Tax Rate 1995	\$0.480	10
Excise Tax Increase Amount 1990-1995	\$0.100	14
Excise Tax Increase % 1990-1995	26%	21
Industry Volume 1994	7,380,787,712	25
Industry Volume 1990	7,530,690,240	25
Industry Volume Change 1990-1994	-1.99%	34
IOWA	Value	National Rank (1=Highest)
Excise Tax Rate 1995	\$0.360	18
Excise Tax Increase Amount 1990-1995	\$0.050	26
Excise Tax Increase % 1990-1995	16%	29
Industry Volume 1994	5,553,448,640	30
Industry Volume 1990	5,630,533,440	30
Industry Volume Change 1990-1994	-1.37%	36
NORTH DAKOTA	Value	National Rank (1=Highest)
Excise Tax Rate 1995	\$0.440	11
Excise Tax Increase Amount 1990-1995	\$0.140	10
Excise Tax Increase % 1990-1995	47%	14
Industry Volume 1994	25,641,176,704	5
Industry Volume 1990	24,008,222,656	6
Industry Volume Change 1990-1994	6.80%	41
SOUTH DAKOTA	Value	National Rank (1=Highest)
Excise Tax Rate 1995	\$0.230	33
Excise Tax Increase Amount 1990-1995	\$0.000	N/A
Excise Tax Increase % 1990-1995	0%	N/A
Industry Volume 1994	968,324,984	47
Industry Volume 1990	911,579,000	50
Industry Volume Change 1990-1994	6.23%	40
WISCONSIN	Value	National Rank (1=Highest)
Excise Tax Rate 1995	\$0.380	15
Excise Tax Increase Amount 1990-1995	\$0.080	19
Excise Tax Increase % 1990-1995	27%	20
Industry Volume 1994	10,045,861,504	20
Industry Volume 1990	10,542,936,032	18
Industry Volume Change 1990-1994	-4.71%	30

*Data Source: Nielsen Marketing Research

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