

E

BEST
COPY

51321 7303

The proposed 75¢ and \$1.25 per pack cigarette tax hikes compared to the 1993 tax changes

How big a tax increase?

- According to the Congressional Budget Office, the 1993 tax increase amounted to an average of \$382 per family.
 - For a pack-a-day smoker, a tax increase of 75 cents per pack equals \$274 per year, and a tax hike of \$1.25 per pack equals \$456 per year.
 - Taking account of actual smoking patterns, CBO data say that a 75 cents per pack tax increase would average \$167 per family, and \$1.25 per pack would equal \$278 per family.
- ☞ In other words, President Clinton's proposed 75¢/pack cigarette tax hike would be 44% as big as the total tax increase enacted in 1993.
- ☞ The \$1.25/pack proposed increase would be 73% as big as the total '93 tax hike.

Undoing 1993's tax relief for lower-income working families:

Of course, the 1993 budget act didn't raise everybody's taxes. The tax hikes were very progressive, with three-quarters of the increases falling on the very rich (the top 1%). Low- and moderate-income families actually got tax *cuts* from the '93 act.

One of the highly-touted features of the 1993 bill was the big boost in the earned-income tax credit for working families making less than \$30,000. On average, the '93 act gave families in the bottom 40% of the income scale a tax *cut* of about \$100 each.

Family Income Group	Average Income	Average Annual Tax Change		Compare: 1993 Tax Change
		+75¢/pack	+\$1.25/pack	
Lowest 20%	\$8,470	\$+141	\$+235	\$-166
Second 20%	\$20,740	+163	+272	-35
Middle 20%	\$33,650	+187	+312	+64
Fourth 20%	\$48,970	+177	+296	+110
Next 10%	\$68,210	+170	+283	+239
Next 5%	\$88,340	+165	+276	+388
Next 4%	\$135,100	+159	+265	+1,777
Top 1%	\$566,880	+152	+254	+29,417
All families	\$44,240	\$+167	\$+278	\$+382
<i>Note: Bottom 40%</i>		<i>\$+152</i>	<i>\$+254</i>	<i>\$-100</i>

- ☞ But the President's proposed 75¢/pack cigarette tax increase would cost families in the bottom 40% an average of \$152 each per year. That would more than wipe out the tax relief those lower-income families got under the '93 budget act.
- ☞ The proposed \$1.25/pack increase would cost families in the bottom 40% an average of \$254 each, *two-and-a half times* the tax relief they gained from the 1993 budget act.

Cigarette Tax Hikes As Shares of Family Income (1994 Income Levels)			
Family Income Group	Average 1994 Income	Cigarette Tax +75¢/pk (Clinton)	Cigarette Tax +\$1.25/pk (Stark)
Lowest 20%	\$8,470	1.7%	2.8%
Second 20%	20,740	0.8%	1.3%
Middle 20%	33,650	0.6%	0.9%
Fourth 20%	48,970	0.4%	0.6%
Next 10%	68,210	0.2%	0.4%
Next 5%	88,340	0.2%	0.3%
Next 4%	135,100	0.1%	0.2%
Top 1%	566,880	0.0%	0.0%
ADDENDUM—			
Poor/Rich:	62 times the share of income		
Middle/Rich:	21 times the share of income		
Sources: 1994 income data from the Congressional Budget Office (1993). Cigarette tax distribution based on a 1990 CBO analysis, updated to 1994 tax and income levels by Citizens for Tax Justice.			
Citizens for Tax Justice, March 30, 1994			

Cigarette Tax Hikes as Shares of Family Income

