

MESSAGE POINTS – MASSACHUSETTS 50¢ TAX INCREASE

- **Massachusetts would have the highest cigarette taxes in the country.** If Massachusetts cigarette taxes rise from 50¢ to \$1.26 per pack the state would have the highest tax in the nation.
- **As the country debates fairness in taxation, many studies show excise taxes -- especially "sin" taxes -- are particularly regressive in their effect on modest to low-income people.** In fact, according to a 1997 Peat Marwick study, the bottom 50% of U.S. households make \$30,000 or less per year but only account for about 16% of all income earned. Yet, these same households pay nearly 50% of all state and federal cigarette taxes. Without doubt, those who can least afford the tax will be hit the hardest.
- **Massachusetts's consumers have already been hit hard with price increases.** When the 50¢-tax increase is considered along with the "settlement tax," Massachusetts smokers can expect to pay \$535 a year more than they paid at the end of 1997.
- **Tobacco taxes are an unreliable revenue source.** The state may want to reexamine its seemingly contradictory policies. Many have advocated increasing taxes to stop people from smoking. At the same time, the state wants to rely on tobacco revenue to fund universal health care coverage. What happens when the state is successful and people stop smoking?
- **Smokers more than pay their way with existing taxes.** Many want increased taxes to pay for smoking-related health care expenditures. But the reality is that smokers pay their way. In a 1998 study, Professor W. Kip Viscusi of Harvard determined that smokers pay \$15.9 billion more per year in taxes than the cost of treating their illnesses.
- **Is a "fat tax" far behind in the effort to change people's behavior?** In advertising appearing in the *Washington Post*, former presidential candidate Ralph Nader's group, Center for Science in the Public Interest, declared high-calorie foods "kill more people than tobacco." Additionally, the group stated that obesity is responsible for "more than \$71 billion a year in added health-care and related costs." Should the state consider a "fat tax."
- **Cigarette sales are expected to fall by nearly 22%.** This happened from 1992-1996 when the state raised cigarette taxes from 26¢ to 76¢ and cigarette sales declined by 26%.
- **The state should call their tax bill the "New Hampshire Retail Merchant's Relief Act."** As Massachusetts increased its tax from 26¢ in 1992 to 76¢ in 1996, New Hampshire cigarette sales rose from 162 million packs in FY 1992 to 203 million packs in FY 1997 – about a 25% expansion. The new tax will only accelerate this phenomenon.

- **New Hampshire retailers benefit from high Massachusetts taxes.** In 1995, Price Waterhouse estimated that about 40% of New Hampshire cigarette sales, or 72 million packs, were cross-border sales (most of those sales were to Massachusetts' consumers). This purchasing shift generated about \$127 million in gross retail cigarette sales and nearly \$20 million in gross profits, or value added, for the New Hampshire economy.
- **Massachusetts citizens can save big in other states as well.** While it is established that the state's residents have saved big money by going to New Hampshire, after a 50¢ tax increase they could save even more. For example, residents could save \$9.40 per carton in New Hampshire, \$8.20 per carton in Vermont, \$7.60 per carton in Connecticut, and \$5.50 in Rhode Island.
- **Massachusetts is already getting an economic windfall from tobacco.** As part of the settlement with tobacco companies, Massachusetts will receive more than \$8 billion over the next 25 years. That averages more than \$300 million a year.
- **If Massachusetts increases cigarette taxes \$.50 a pack, the gross retail value of lost cigarette sales would be approximately \$304 million.** (80 million packs evaluated at a final retail price of \$3.80/pack)
- **Gross profits, or the value added, lost to Massachusetts retailers and wholesalers would be about \$900 million due to the loss of cigarette and tie-in sales.**
- **It is estimated that nearly 1100 Massachusetts jobs could be displaced due to a \$.50 cent tax increase.** (based on a 1998 study of the tobacco industry by AEG)