

ISSUES RELATED TO THE REGRESSIVE NATURE OF CIGARETTE EXCISE TAXES IN THE COMMONWEALTH OF MASSACHUSETTS

- ◇ **Important Health Care Subsidies Should be Funded by a Broad Based, Stable Revenue Stream.** The Cigarette excise tax is not a good funding mechanism for health care subsidies, and is going to have a disproportionate burden on exactly those individuals that the program, is designed to help. While revenues from this proposal may fund health insurance programs, the additional tax burden on low-income consumers is self defeating and regressive.
- ◇ Arguably taxes for health care for poor children and the elderly should be levied on the Commonwealth's most affluent residents, not on those with lesser means. Excise taxes single out one group of constituents to pay government costs that are everyone's responsibility. This is especially true for health care programs, which are designed to benefit less fortunate citizens.
- ◇ **Excise Taxes are an Unstable Source of Revenue for Public Programs.** As the tax increases, smokers turn to other non-tax sources and lower-tax bordering states to buy their cigarettes, causing revenues for the earmarked programs to drop.
- ◇ **Cigarette Excise Taxes Fall on Those Less Able To Pay Them.** Cigarette Excise Taxes are regressive when measured relative to the distribution of family income. A 1993 study by the accounting firm, Peat Marwick, found that 53 percent of all American families earn less than \$30,000 annually. The study also found that while these families account for only 19 percent of the total family income earned in the U.S., they pay 43 percent of all excise taxes.
- ◇ **The Majority of the Senate Districts in Massachusetts Have Income Levels Below The State Average.** Fifteen of the 40 Senate districts in the Commonwealth have a population with family incomes above the state average of \$45,410. Residents of the wealthiest district have average incomes roughly 2.3 times greater than those in the poorest.
- ◇ **If Increased, Cigarette Excise Taxes in Massachusetts Would Equal Nearly 46 Percent of the Weekly Income of the State's Poorest Families.** If increased, the annual State Cigarette Excise Tax in Massachusetts would be over \$277 for a pack a day smoker. This is equal to over 46 percent of the weekly income of the average family in New Bedford's district B2.
- ◇ **The \$277.40 Proposed Tax is More than the Average Family in all But the Three Wealthiest Districts Pays Per Year for Milk, or for Household White Goods such as Refrigerators.** It is more than what families in the poorest 18 districts pay for books and other reading materials. Raising taxes on poor and working class families does not benefit society, but rather weakens the social safety net.
- ◇ **Although the State's Smokers will all Have to Pay this Tax Increase, Citizens in The 15 Wealthy Districts Pay on Average, 34 Percent Less of Their Income in Cigarette Excise Taxes Than do Those in the Remaining 25 Jurisdictions.** Twenty-two percent of Massachusetts' adult taxpayers smoke. These individuals already have a higher tax burden than non-smokers. In addition, smokers in 25 middle and lower income Senate Districts already have a larger cigarette excise tax load than residents of the other, more wealthy districts.
- ◇ **Raising Excise Taxes Increases Prices Throughout the Economy.** Not only are excise taxes extremely regressive, but they distort the economy in such as way as to raise prices not only on cigarettes, but on all consumer goods. In addition, excise taxes are expensive to administer relative to the revenue that they produce.