

THE CIGARETTE EXCISE TAX ON TOBACCO IN MINNESOTA

The current state cigarette tax in Minnesota is \$4.30 per carton. If enacted, an 50 cent per carton increase would raise the state cigarette tax to \$4.80 per carton, or ~~11%~~ 12

TAX BURDEN - Federal, state, and sales taxes on cigarettes in Minnesota, **currently** represent ~~\$7.27~~ ^{7.53} per carton, or ~~45%~~ ⁴³ of the price of a carton of cigarettes. (~~\$2.00~~ - federal, ~~\$4.30~~ - state, and ~~97~~ ^{1.23} cents - sales tax; average retail price ~~\$16.23~~ per carton). ^{17.39}

If enacted, an 50 cent per carton increase would mean that smokers in Minnesota will be forced to pay ~~\$7.80~~ ^{8.06} per carton in taxes. Therefore, cigarette taxes will represent ~~47%~~ ^{45%} of the price of a carton of cigarettes. (~~\$2.00~~ - federal, ~~\$4.80~~ - state, and ~~\$1.00~~ in sales tax; average retail price - ~~\$16.76~~ per carton). ²⁶

UNFAIR - Smokers in Minnesota **currently** pay approximately ~~\$273.5~~ ^{286.9} million in cigarette taxes. (federal - ~~\$75.2~~ million, state - ~~\$161.8~~ ^{163.8} million, and sales - ~~\$36.5~~ million). This contribution is too great for any one group of consumers to bear when these taxes benefit everyone in the state. ^{76.2} ~~46.9~~

REGRESSIVITY - Tobacco taxes in Minnesota take more than **three times** the amount from those with incomes below \$14,300 than from those with incomes exceeding \$81,100. 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 33,140 jobs in Minnesota and these tobacco-related employees receive almost \$732 million in compensation.

If enacted, a 50 cent per carton cigarette tax increase could mean a loss of approximately ~~613~~ jobs in Minnesota. ⁹⁸⁰
(Source: The Economic Impact of the Tobacco Industry on the United States Economy)

REVENUE EROSION - If enacted, an 50 cent per carton cigarette tax increase could also mean lost packs to Minnesota of over ~~7.3~~ ^{11.6} million. In fact, the state will generate ~~2%~~ ³ less per penny of tax after the increase.

CROSS-BORDER ACTIVITY AND BOOTLEGGING - If enacted, an 50 cent per carton cigarette tax increase to \$4.80 per carton, would increase the state tax differential between Minnesota and its neighboring states while increasing profit incentives to bootleggers. This means significant cross-border traffic with four states on the Minnesota border where savings would range from \$2.50 per carton in South Dakota (SD - \$2.30/carton) to \$1.20 per carton in Iowa (IA - \$3.60/carton).

$$ND = 1.90 (2.90)$$
$$WI = 1.80 (3.00)$$

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MINNESOTA REVENUE PROJECTIONS

YEAR	TAX	TAX RATE (¢/PACK)	# PACKS (millions)	TAX REVENUE (\$ millions)	Revenue Per Penny (\$millions)
1992	estimated state excise tax	43	376.3 380.9	161.8 163.8	3.8
	sales tax rate - or cents per pack	6% 9.7 6.5 12.3		36.5 46.9	
	TOTAL			198.3 210.6	
1993	Estimated with a 8 cent state excise tax increase	48	365.2 363.5	175.3 174.5	3.7 3.6
	estimated sales tax with a 8 cent increase	6% 9.7 6.5 12.625		36.5 45.9	
	TOTAL			211.8 220.4	
1993	estimated state excise tax with no increase	43	372.5 375.1	160.2 161.3	3.7 3.8
	estimated sales tax with no increase	6% 9.7 6.5 12.3		36.1 46.1	
	TOTAL			196.3 207.4	
1993 ADDITIONAL REVENUE:				<u>15.5</u>	

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187 - 190 Figs. ARD = ~~22.4~~^{5.8}
~~187 = 459.6~~
 88 = 404.1
 89 = 399.5
 90 = 392.5
 91 = ~~370.7~~ 386.7
 92 = ~~377.7~~ 380.9
 93 = ~~325.3~~ 375.1
 93 (inc.) = ~~378.05~~ 363.5

packs = 11.6
 jobs = 980
 Rev EROSN = 3%

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profits lost = 15.8 mill
jobs lost = 1,544
A.R.D. = 9.75

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does this need to
be faxed?

GB,

NOPE

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