

MICHIGAN'S CIGARETTE AND TOBACCO TAXES

2014 Statistical Update



Office of Revenue and Tax Analysis
Michigan Department of Treasury
January 2016

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Acknowledgments

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SUMMARY

This report provides updated information on Michigan's tobacco taxes. Michigan has levied an excise tax on cigarettes since 1947. The tax was increased by 50 cents to \$1.25 per pack of 20 cigarettes in August 2002, and increased again by 75 cents to \$2.00 per pack in July 2004. The Michigan tax is in addition to the federal cigarette tax of \$1.01 per pack. The state tax on tobacco products other than cigarettes is 32 percent of the wholesale price.

Tobacco tax revenue totaled \$940.3 million in fiscal year (FY) 2014, down \$17.1 million (-1.8 percent) from FY 2013. Tobacco taxes now account for 3.81 percent of all Michigan taxes, with the lower share in FY 2014 due to both the decline in tobacco tax collections and growth in other taxes. Exhibits 1 through 3 compare Michigan tobacco tax collections over the past thirty years.

Tobacco taxes provide revenue for a number of purposes. For FY 2014, 38.2 percent of tobacco tax revenue was earmarked to the School Aid Fund and 34.8 percent of revenue was earmarked to the Medicaid health program for low-income residents. Exhibit 4 presents the distribution of FY 2014 revenues by fund. Exhibit 5 highlights that the decline in tobacco taxes over the past eight years is due to declining cigarette sales, with tobacco tax revenue separated between cigarettes and other tobacco products (cigars, snuff, and pipe, chewing, and roll-your-own smoking tobacco).

Taxable cigarette sales decreased in FY 2014 by an estimated 3.0 percent to 439.9 million packs, a slightly smaller decline than the historic trend decline of 3.1 percent. Taxable cigarette sales are down 43.8 percent since 2001, an annual average decline of 4.3 percent. Per capita sales have also declined to 44.4 packs in 2014, compared to 78.3 packs in 2001. Exhibits 6 and 7 present taxable cigarette sales over the past thirty years along with per capita consumption estimates.

At least some of the recent decline in the sales of taxable packs is likely due to smokers who have purchased cigarettes that have not been taxed by Michigan. The Michigan Tobacco Products Tax Act prohibits the possession of cigarettes within Michigan unless the cigarettes are from an individual package of cigarettes that bears the Michigan cigarette tax stamp indicating that the Michigan tobacco tax was paid. More information about enforcement of Michigan's tobacco tax laws and a citizen's tax liability for cigarettes purchased over the Internet or out-of-state may be found at: http://www.michigan.gov/documents/TobaccoTaxPoster_132302_7.pdf and http://www.michigan.gov/documents/taxes/4096B_391420_7.pdf.

The federal cigarette tax raised \$13.4 billion in the year ending June 2014, down from \$14.2 billion in the preceding year. The decline in tax revenue reflected a 4.8 percent decline in national cigarette consumption, larger than the average decline of 2.4 percent per year from 1980 to 2014.¹ Exhibit 8 provides historical information on federal tax collections and national cigarette consumption.

Forty-seven states have increased their cigarette tax rate since 2000 with an average tax increase of more than \$1. The three states that have not increased the tax on cigarettes are California, Missouri, and North Dakota. In 2015, Michigan had the 11th highest state tax rate in the nation at

¹ Orzechowski and Walker, *The Tax Burden on Tobacco*, vol.49.

\$2.00 (tied with Alaska, Arizona, Maine, and Maryland). The District of Columbia and 15 states have tax rates of \$2.00 per pack or higher. Generally states with higher taxes have fewer cigarettes sold subject to the tax on a per capita basis, although the relationship is imprecise. For example, Michigan has a relatively high cigarette tax but ranks 24th highest in the nation in taxable cigarette sales per capita. By comparison, California and Colorado both have lower cigarette tax rates and rank lower in sales per capita. Exhibits 9 through 13 compare cigarette taxes, prices, and taxable cigarette sales across the U.S.

Exhibit 14 looks at the relationship between a state's tax rate on cigarettes and the revenue raised per adult smoker in the state. Each marker in Exhibit 14 represents the combination of the 2014 tax rate on a pack of cigarettes and the amount of cigarette tax collected from the average smoker for each state and the District of Columbia. The number of smokers in each state was estimated by taking the prevalence of adult smoking in the state multiplied by the estimated adult population. Revenue per smoker was then obtained by dividing the annual revenue by the estimated number of adult smokers.

There is a strong, positive correlation between the tax rate and the revenue per smoker, i.e., a higher tax rate generally raises the amount of revenue per smoker. The correlation coefficient between the tax rates and revenue per smoker is 0.756, which reflects the consistent relationship. It is to be expected that the correlation coefficient would be less than 1.0, since a higher tax rate likely encourages smokers to smoke fewer taxed cigarettes. Note that while some states are outliers, either collecting more in tax than might be anticipated given the tax rate (markers that are above the line in the chart) or collecting less than might otherwise be anticipated (markers that are below the line), Michigan is very close to the trend line. This indicates that when you consider the relationship between tax rates and revenue per smoker throughout the U.S., Michigan raises something very near the amount of revenue that might be expected, given the prevalence of adult smoking.

Michigan's tax on OTP has been 32 percent of the wholesale price since the 2004 tax increase took effect on July 1, 2004.² The higher tax rate on OTP has contributed to increased tax revenues. The federal tax changes that took effect in 2009 increased the tax base for OTP and increased tax revenues, but also created disparities among some types of OTP, especially between pipe tobacco and roll-your-own smoking tobacco. The tax rate on OTP remains significantly lower than the tax rate on cigarettes as a percentage of the price and this difference has increased the sales of certain types of OTP such as little cigars and roll-your-own smoking tobacco. Exhibit 15 compares the state tax rates on OTP, as well as providing recent data on tax collections and usage.

Adults in Michigan are more likely to smoke cigarettes, on average, than adults in other states. The overall average prevalence in Michigan among adults was 21.4 percent in 2013, higher than the median value across the U.S. states of 19.1 percent. While estimates are not available for other states, the survey estimates for 2014 available from the Michigan Department of Community Health indicate that the prevalence of cigarette use in Michigan fell to 21.2 percent of the adult population. Statistically, the estimates for 2013 and 2014 are practically the same. Men are more likely to smoke than women, both in Michigan and across the U.S. Exhibit 16 compares the overall prevalence of smoking and provides the distribution by gender for all fifty states for 2013.

² The tax on cigars is capped at 50 cents per cigar from November 1, 2012 through October 31, 2016.

The decline in taxable cigarette sales in Michigan following the tax increases enacted in 2002 and 2004 suggests that cigarette smoking may also be declining. Recent survey data support that conclusion. Exhibit 17 compares the Michigan cigarette tax with the survey data on the prevalence of smoking among high school students and adults. Both groups have seen declines in the prevalence of smoking as the tax rate has risen. The decline has been larger among high school students, with the prevalence of smoking falling from 38.2 percent in 1997 to 17.0 percent in 2005, increasing somewhat to 18.8 percent in 2009, and then dropping again to 14.0 percent in 2011 and 11.8 percent in 2013. The decline in Michigan is similar to the decline seen in many other states. Michigan was one of 13 states participating in the Youth Risk Behavior Surveillance System survey for 2013 that had a smoking prevalence among youth of no more than 12.0 percent. The prevalence among youth was commonly over 30.0 percent in mid 1990s.

The measured prevalence of smoking among adults fell from the mid-20 percent level in the early 2000s to below 20 percent in 2009 and 2010. Survey data for 2011 and 2012 indicated the prevalence of smoking among Michigan adults, 23.3 percent, was higher than earlier years. However, changes in survey methodology beginning in 2011 that were designed to more accurately represent the adult population probably affected the measured level of smoking prevalence rather than the underlying trend in smoking behavior. The trend decline in adult prevalence measured prior to 2011 matches the decline in taxable sales both in Michigan and nationwide. The methodological change means the results after 2010 are not comparable to estimates from previous years. As mentioned above, the estimated adult prevalence for 2014 was 21.2 percent, a decline of 9 percent from 2011 and 2012.

More reports on Michigan's tobacco taxes are available on the Department of Treasury's website at www.michigan.gov/treasury. If you have questions on this report, please contact Scott Darragh at (517) 373-2697.

Exhibit 1
Tobacco Tax Revenues
(thousands)

Fiscal Year	Rate (Cents)	Nominal Tobacco Tax Revenue ⁽¹⁾	Total Tax Revenue	Revenue Per Penny of Tax	Inflation-Adjusted Revenue ⁽²⁾	Tax as Percent of Total Taxes
1980	11	\$141,205	\$6,126,400	\$12,837	\$380,250	2.30
1981	11	152,827	6,195,020	13,893	367,503	2.47
1982	11/21	188,003 ⁽³⁾	6,371,191	12,396	434,936	2.95
1983	21	242,068	7,337,434	11,527	539,720	3.30
1984	21	240,957	8,405,736	11,474	521,411	2.87
1985	21	241,037	8,958,027	11,478	504,539	2.69
1986	21	236,489	9,270,805	11,261	484,564	2.55
1987	21	237,382	9,591,731	11,304	474,884	2.47
1988	21/25	264,496 ⁽³⁾	10,285,540	11,021	510,272	2.57
1989	25	267,016	10,850,896	10,681	489,839	2.46
1990	25	255,339	11,062,400	10,214	446,009	2.31
1991	25	259,160	10,865,460	10,366	433,646	2.39
1992	25	246,005	11,267,492	9,840	403,244	2.18
1993	25	243,648	11,891,105	9,746	389,357	2.05
1994	25/75	395,715 ⁽³⁾	14,014,810	8,634	613,376	2.82
1995	75	619,401	17,009,114	8,259	930,497	3.64
1996	75	580,772	18,090,458	7,744	848,887	3.21
1997	75	546,026	18,970,316	7,280	778,308	2.88
1998	75	566,046	20,149,025	7,547	789,196	2.81
1999	75	615,129	21,472,775	8,202	837,040	2.86
2000	75	604,212	22,363,369	8,056	795,413	2.70
2001	75	596,082	21,872,223	7,948	759,634	2.73
2002	75/125	669,914 ⁽³⁾	21,455,308	8,039	836,189	3.12
2003	125	891,775	21,718,157	7,134	1,085,560	4.11
2004	125/200	992,793 ⁽³⁾	22,097,228	6,906	1,192,638	4.49
2005	200	1,179,871	23,121,664	5,899	1,382,639	5.10
2006	200	1,169,005	23,364,924	5,845	1,321,997	5.00
2007	200	1,129,226	23,487,484	5,646	1,256,938	4.81
2008	200	1,073,650	25,143,535	5,368	1,162,427	4.27
2009	200	1,041,541	22,384,854	5,208	1,137,776	4.65
2010	200	1,006,527	21,823,324	5,033	1,089,309	4.61
2011	200	968,512	23,414,436	4,843	1,021,695	4.14
2012	200	963,181	23,538,616	4,816	992,117	4.09
2013	200	957,485	24,544,493	4,787	968,128	3.90
2014	200	940,337	24,654,232	4,702	940,337	3.81

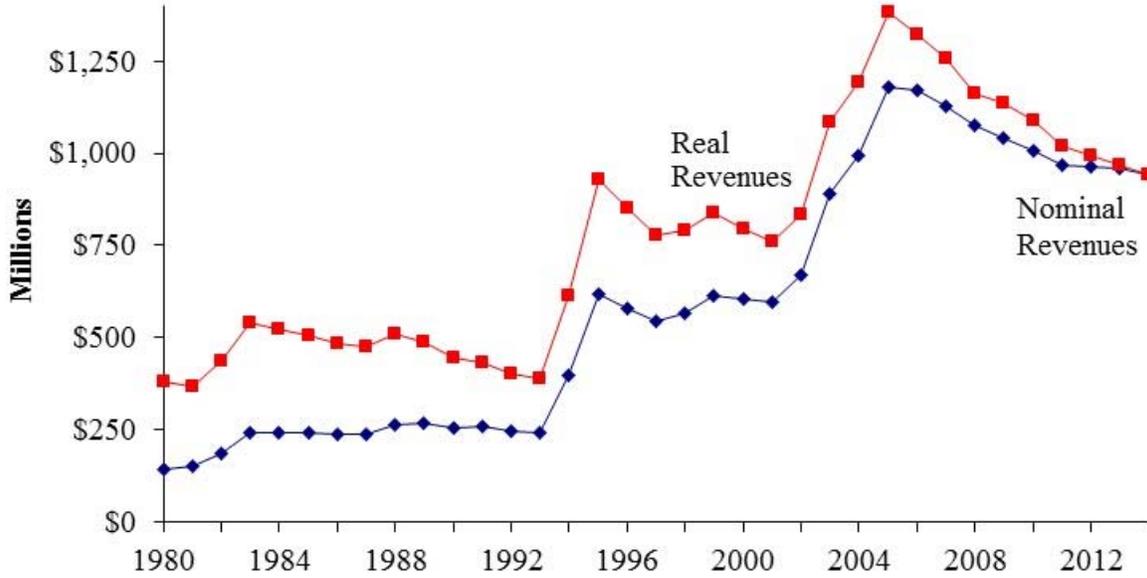
(1) After 1994 figures include tax from other tobacco products.

(2) Adjusted for inflation to 2014 dollars.

(3) Includes approximately \$11 million collected from temporary inventory tax in 1982, \$5 million in 1988, \$22 million in 1994, \$22 million in 2002, and \$28 million in 2004.

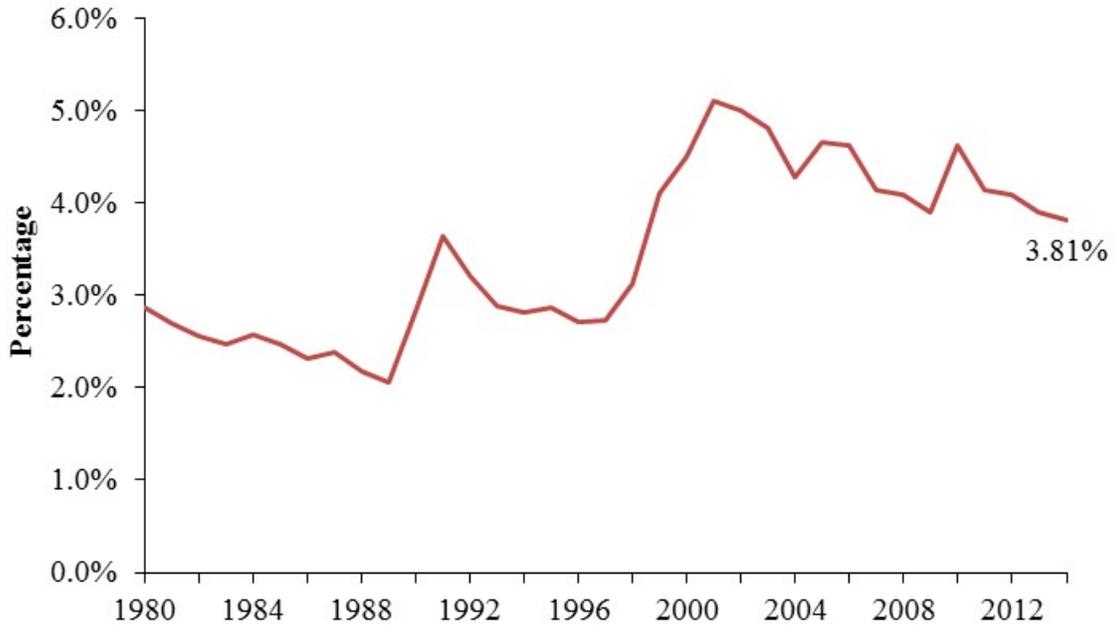
Sources: Michigan Department of Technology, Management & Budget and U.S. Bureau of Labor Statistics.

Exhibit 2
Michigan Cigarette Tax Collections



Source: Michigan Department of Technology, Management & Budget, and U.S Bureau of Labor Statistics.

Exhibit 3
Michigan Cigarette Tax Revenue as Share of Total State Tax Revenue



Source: Michigan Department of Technology, Management & Budget.

Exhibit 4
Distribution of Tobacco Tax Revenue
FY 2014

<u>Distribution</u>	<u>FY 2014 Revenue (thousands)</u>	<u>Percent of Revenue</u>
General Fund/General Purpose	\$192,886	20.5%
School Aid Fund	\$359,383	38.2%
Health and Safety Fund	\$24,055	2.6%
Healthy Michigan Fund	\$32,360	3.4%
Medicaid Benefit Trust Fund	\$327,463	34.8%
Tax Enforcement	\$4,191	0.4%
Total	\$940,338	100.0%

Note: Total may differ from Exhibit 1 due to rounding.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury

Exhibit 5
Distribution of Tobacco Tax Revenue by Product
Fiscal Years 2001 - 2014
Revenue totals in thousands

<u>Year</u>	<u>Tax Rate</u>		<u>Tax Revenue (thousands)</u>		
	<u>Cigarette</u> ⁽¹⁾	<u>OTP</u> ⁽²⁾	<u>Cigarette</u>	<u>OTP</u>	<u>Total</u>
2001	\$0.75	16%	\$579,151	\$16,931	\$596,082
2002	\$0.75/\$1.25	16%/20%	\$650,880	\$19,034	\$669,914
2003	\$1.25	20%	\$868,963	\$22,812	\$891,775
2004	\$1.25/\$2.00	20%/32%	\$964,193	\$28,600	\$992,793
2005	\$2.00	32%	\$1,139,605	\$40,266	\$1,179,871
2006	\$2.00	32%	\$1,131,153	\$37,852	\$1,169,005
2007	\$2.00	32%	\$1,084,006	\$45,220	\$1,129,226
2008	\$2.00	32%	\$1,024,124	\$49,526	\$1,073,650
2009	\$2.00	32%	\$985,654	\$55,887	\$1,041,541
2010	\$2.00	32%	\$947,083	\$59,444	\$1,006,527
2011	\$2.00	32%	\$907,558	\$60,955	\$968,513
2012	\$2.00	32%	\$898,504	\$64,677	\$963,181
2013	\$2.00	32%	\$893,242	\$64,243	\$957,485
2014	\$2.00	32%	\$866,510	\$73,828	\$940,338

Notes:

- (1) Tax rate is the tax per pack of 20 cigarettes.
- (2) OTP represents "Other Tobacco Products," which are taxed as a percentage of the wholesale price.
- (3) Total may differ slightly from Exhibit 1 due to rounding.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury

Exhibit 6
Cigarette Packs Sold Taxed

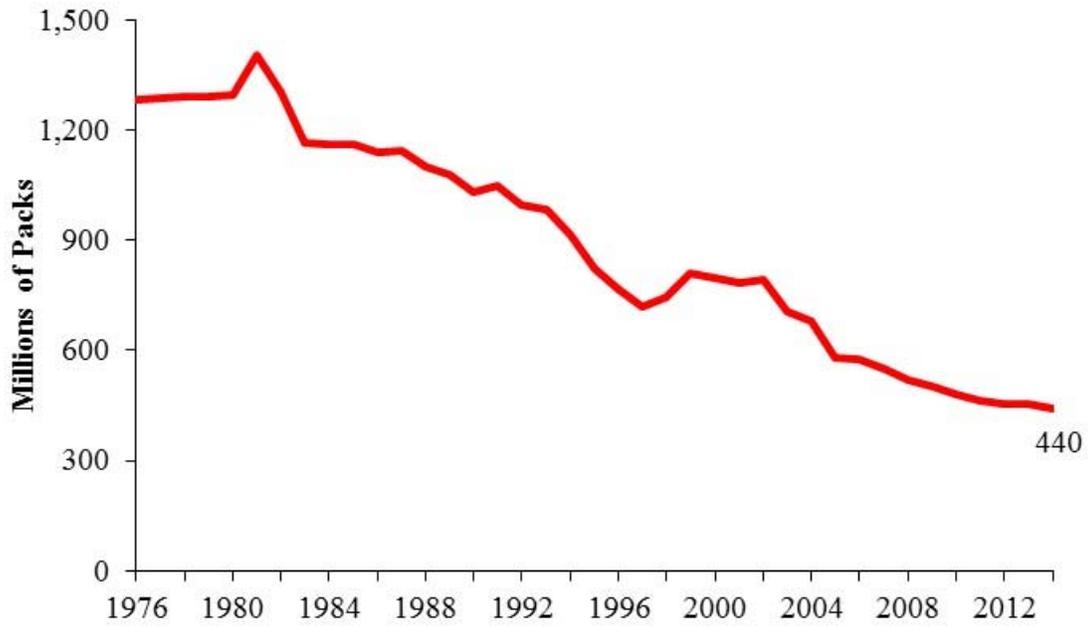
<u>Year</u>	<u>Average Retail Price</u>	<u>Percent Change</u>	<u>Calculated Packs Sold Taxed (000s)</u>	<u>Percent Change</u>	<u>Calculated Per Capita Packs Sold Taxed</u>	<u>Percent Change</u>
1980	0.62	3.3	1,296,648	0.6	140.0	0.6
1981	0.68	9.7	1,403,370	8.2	152.4	8.9
1982	0.88	29.4	1,302,866	-7.2	142.9	-6.2
1983	0.97	10.2	1,164,348	-10.6	128.7	-10.0
1984	1.01	4.1	1,159,004	-0.5	128.1	-0.5
1985	1.06	5.0	1,159,389	0.0	127.7	-0.3
1986	1.11	4.7	1,137,513	-1.9	124.6	-2.4
1987	1.22	9.9	1,141,809	0.4	124.3	-0.3
1988	1.33	9.0	1,098,387	-3.8	119.1	-4.1
1989	1.44	8.3	1,078,853	-1.8	116.6	-2.1
1990	1.45	0.7	1,031,673	-4.4	110.8	-5.0
1991	1.77	22.1	1,047,111	1.5	111.5	0.6
1992	1.85	4.5	993,960	-5.1	105.0	-5.8
1993	1.63	-11.9	984,436	-1.0	103.3	-1.6
1994	2.24	37.4	912,267	-7.3	95.2	-7.9
1995	2.29	2.2	820,601	-10.0	84.9	-10.8
1996	2.34	2.2	766,580	-6.6	78.7	-7.3
1997	2.43	3.8	719,355	-6.2	73.5	-6.6
1998	2.61	7.5	745,417	3.6	75.9	3.3
1999	3.34	27.7	810,939	8.8	82.2	8.3
2000	3.46	3.5	794,464	-2.0	79.8	-2.9
2001	3.79	9.8	782,589	-1.5	78.3	-1.9
2002	4.35	14.6	791,075	1.1	79.0	0.8
2003	4.33	-0.3	705,293	-10.8	70.2	-11.1
2004	5.09	17.4	680,957	-3.5	67.7	-3.6
2005	5.10	0.3	578,480	-15.0	57.6	-15.0
2006	5.29	3.8	574,189	-0.7	57.2	-0.6
2007	5.35	1.1	550,257	-4.2	55.0	-3.8
2008	5.41	1.2	519,860	-5.5	52.3	-5.0
2009	6.14	13.4	500,332	-3.8	50.5	-3.3
2010	6.21	1.2	480,753	-3.9	48.7	-3.7
2011	6.34	2.0	460,689	-4.2	46.6	-4.2
2012	6.39	0.8	456,093	-1.0	46.1	-1.1
2013	6.56	2.8	453,422	-0.6	45.8	-0.7
2014	6.49	-1.1	439,853	-3.0	44.4	-3.1

**Annual Average
Change 1980 - 2014** 7.4% -3.1% -3.3%

Note: Average retail price data are from Orzechowski and Walker for November 1 of each year.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.
Population data are from Census Bureau.

Exhibit 7
Annual Packs Sold Taxed



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 8
National Cigarette Tax Trends

Year	Federal Tax Per Pack (Cents)	Federal Revenues (Millions) ⁽¹⁾	Consumption (Millions of Packs)	Percent Change in Consumption
1980	8.0	2,604.4	30,288.3	-1.5
1981	8.0	2,488.2	31,666.4	4.6
1982	8.0	2,496.1	31,611.8	-0.2
1983	8.0/16.0 ⁽²⁾	3,424.4	29,991.1	-5.1
1984	16.0	4,749.2	29,837.0	-0.5
1985	16.0	4,442.5	29,770.9	-0.2
1986	16.0	4,430.8	29,051.2	-2.4
1987	16.0	4,752.3	28,965.5	-0.3
1988	16.0	4,466.5	27,790.8	-4.1
1989	16.0	4,237.8	26,487.5	-4.7
1990	16.0	4,069.8	25,436.5	-4.0
1991	16.0/20.0 ⁽²⁾	4,754.6	25,376.5	-0.2
1992	20.0	5,043.0	25,215.7	-0.6
1993	20.0/24.0 ⁽²⁾	5,528.0	24,730.1	-1.9
1994	24.0	5,599.5	23,350.0	-5.6
1995	24.0	5,716.8	23,818.0	2.0
1996	24.0	5,679.1	23,660.0	-0.7
1997	24.0	5,743.4	23,929.2	1.1
1998	24.0	5,559.2	23,163.4	-3.2
1999	24.0	5,193.1	21,637.9	-6.6
2000	24.0/34.0 ⁽²⁾	6,230.3	21,325.0	-1.4
2001	34.0	7,080.5	21,250.0	-0.4
2002	39.0 ⁽²⁾	8,036.9	21,310.0	0.3
2003	39.0	7,798.5	20,225.0	-5.1
2004	39.0	7,702.6	19,790.0	-2.2
2005	39.0	7,566.6	19,370.0	-2.1
2006	39.0	7,480.0	19,159.8	-1.1
2007	39.0	7,267.7	18,635.1	-2.7
2008	39.0	6,890.2	17,668.0	-5.2
2009	101.0	8,512.3	16,742.6	-5.2
2010	101.0	15,513.9	15,360.3	-8.3
2011	101.0	15,101.1	14,951.1	-2.7
2012	101.0	14,487.0	14,318.7	-4.2
2013	101.0	14,167.0	14,026.7	-2.0
2014	101.0	13,445.3	13,357.2	-4.8
Annual Average Change 1980 - 2014		4.9%	-2.4%	

(1) Based on year ending June 30.

(2) Rate changed during year.

Source: Orzechowski and Walker.

Exhibit 9
State Cigarette Tax Rate Trends

State	Tax Rate (Cents)			Change, 2000 - 2015	
	1990	2000	2015	Actual	Percent
Alabama	16.5	16.5	42.5	26.0	157.6
Alaska	29.0	100.0	200.0	100.0	100.0
Arizona	18.0	58.0	200.0	142.0	244.8
Arkansas	21.0	31.5	115.0	83.5	265.1
California	35.0	87.0	87.0	0.0	0.0
Colorado	20.0	20.0	84.0	64.0	320.0
Connecticut	40.0	50.0	340.0	290.0	580.0
Delaware	14.0	24.0	160.0	136.0	566.7
Florida	24.0	33.9	133.9	100.0	295.0
Georgia	12.0	12.0	37.0	25.0	208.3
Hawaii	42.0	100.0	320.0	220.0	220.0
Idaho	18.0	28.0	57.0	29.0	103.6
Illinois	30.0	58.0	198.0	140.0	241.4
Indiana	15.5	15.5	99.5	84.0	541.9
Iowa	31.0	36.0	136.0	100.0	277.8
Kansas	24.0	24.0	129.0	105.0	437.5
Kentucky	3.0	3.0	60.0	57.0	1,900.0
Louisiana	20.0	20.0	86.0	66.0	330.0
Maine	31.0	74.0	200.0	126.0	170.3
Maryland	13.0	66.0	200.0	134.0	203.0
Massachusetts	26.0	76.0	351.0	275.0	361.8
Michigan	25.0	75.0	200.0	125.0	166.7
Minnesota	38.0	48.0	290.0	242.0	504.2
Mississippi	18.0	18.0	68.0	50.0	277.8
Missouri	13.0	17.0	17.0	0.0	0.0
Montana	18.0	18.0	170.0	152.0	844.4
Nebraska	27.0	34.0	64.0	30.0	88.2
Nevada	35.0	35.0	180.0	145.0	414.3
New Hampshire	25.0	52.0	178.0	126.0	242.3
New Jersey	40.0	80.0	270.0	190.0	237.5
New Mexico	15.0	21.0	166.0	145.0	690.5
New York	39.0	111.0	435.0	324.0	291.9
North Carolina	2.0	5.0	45.0	40.0	800.0
North Dakota	30.0	44.0	44.0	0.0	0.0
Ohio	18.0	24.0	160.0	136.0	566.7
Oklahoma	23.0	23.0	103.0	80.0	347.8
Oregon	28.0	68.0	131.0	63.0	92.6
Pennsylvania	18.0	31.0	160.0	129.0	416.1
Rhode Island	37.0	71.0	350.0	279.0	393.0
South Carolina	7.0	7.0	57.0	50.0	714.3
South Dakota	23.0	33.0	153.0	120.0	363.6
Tennessee	13.0	13.0	62.0	49.0	376.9
Texas	41.0	41.0	141.0	100.0	243.9
Utah	23.0	51.5	170.0	118.5	230.1
Vermont	17.0	44.0	308.0	264.0	600.0
Virginia	2.5	2.5	30.0	27.5	1,100.0
Washington	34.0	82.5	302.5	220.0	266.7
West Virginia	17.0	17.0	55.0	38.0	223.5
Wisconsin	30.0	59.0	252.0	193.0	327.1
Wyoming	12.0	12.0	60.0	48.0	400.0
U.S. Average	23.0	41.4	157.1	115.7	279.4
Federal Tax	16.0	34.0	101.0	67.0	197.1

Sources: Orzechowski and Walker, Federation of Tax Administrators, and Campaign for Tobacco-Free Kids.
Tax rates for 2015 are those in effect on July 1.

Exhibit 10
State Comparisons, 2014 Cigarette Tax

<u>State</u>	<u>Tax Rate (Cents) ⁽¹⁾</u>	<u>Rank</u>	<u>2014 Revenues (Thousands) ⁽²⁾</u>
Alabama	42.5	46	\$126,853
Alaska	200.0	11	54,624
Arizona	200.0	11	304,872
Arkansas	115.0	29	179,735
California	87.0	32	757,513
Colorado	84.0	33	162,219
Connecticut	340.0	4	367,577
Delaware	160.0	21	105,258
Florida	133.9	26	1,109,443
Georgia	37.0	47	181,007
Hawaii	320.0	5	114,112
Idaho	57.0	41	37,515
Illinois	198.0	16	858,052
Indiana	99.5	31	417,532
Iowa	136.0	25	198,425
Kansas	79.0	35	90,240
Kentucky	60.0	39	234,727
Louisiana	36.0	48	108,343
Maine	200.0	11	125,860
Maryland	200.0	11	374,270
Massachusetts	351.0	2	621,477
Michigan	200.0	11	879,666
Minnesota	283.0	7	566,701
Mississippi	68.0	36	124,474
Missouri	17.0	50	84,847
Montana	170.0	18	74,316
Nebraska	64.0	37	56,576
Nevada	80.0	34	92,936
New Hampshire	178.0	17	210,527
New Jersey	270.0	8	704,600
New Mexico	166.0	20	85,261
New York	435.0	1	1,326,507
North Carolina	45.0	44	251,193
North Dakota	44.0	45	24,123
Ohio	125.0	28	771,577
Oklahoma	103.0	30	238,739
Oregon	131.0	27	201,841
Pennsylvania	160.0	21	1,038,258
Rhode Island	350.0	3	135,240
South Carolina	57.0	41	156,357
South Dakota	153.0	23	54,733
Tennessee	62.0	38	252,267
Texas	141.0	24	1,256,724
Utah	170.0	18	96,249
Vermont	262.0	9	64,805
Virginia	30.0	49	166,132
Washington	302.5	6	393,063
West Virginia	55.0	43	99,335
Wisconsin	252.0	10	576,773
Wyoming	60.0	39	19,740
Average/Total	151.4		\$16,533,214

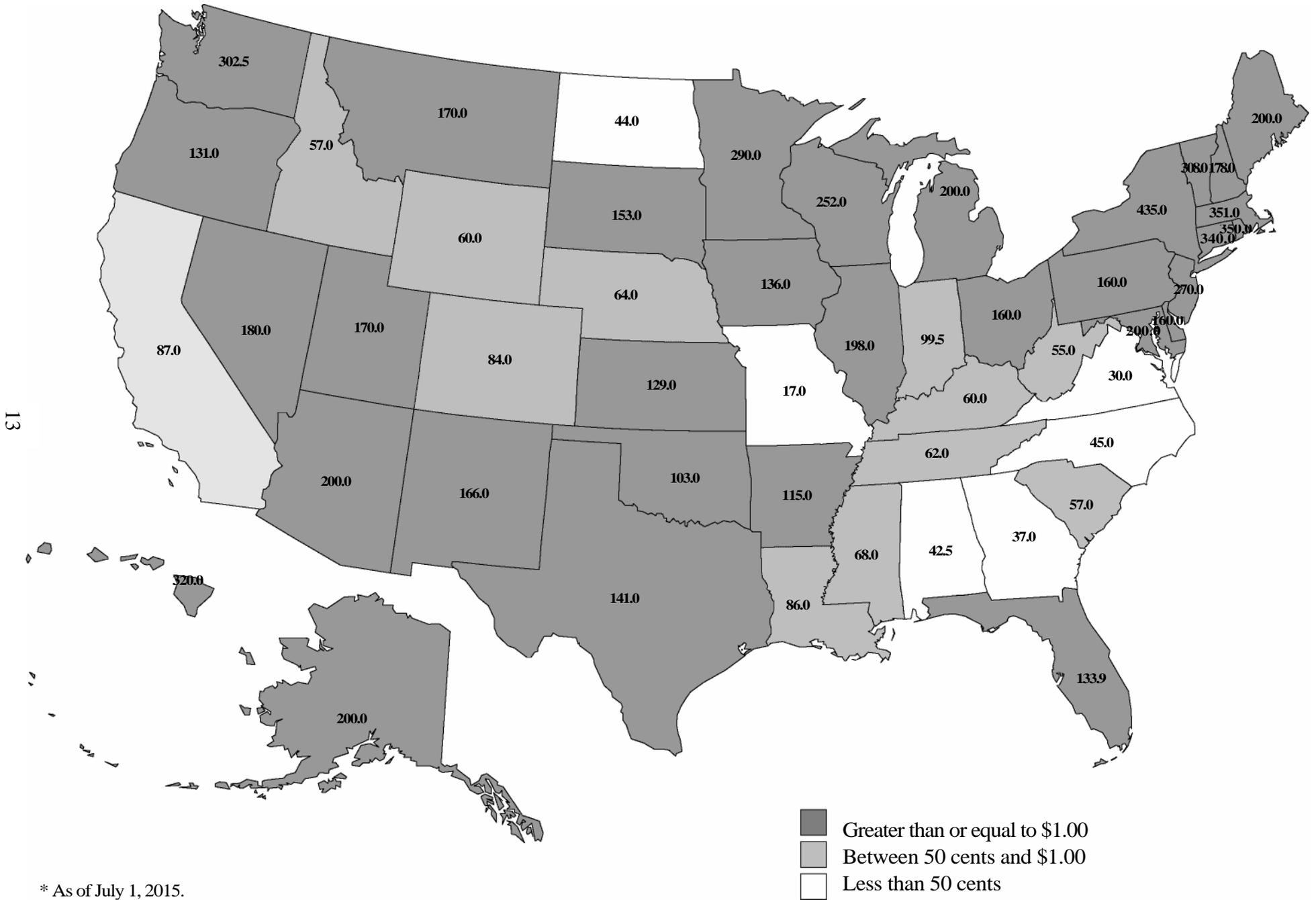
(1) Rates effective for years ending June 30, 2014. Rate for Minnesota includes cigarette sales tax.

(2) For year ending June 30, 2014.

Sources: Orzechowski and Walker and Federation of Tax Administrators.

Exhibit 11

2015 Cigarette Tax Rates (Cents Per Pack)*



* As of July 1, 2015.

Exhibit 12
Taxed Cigarette Consumption Trends (Millions)

State	2000 Packs Sold Taxed	2014 Packs Sold Taxed	Percent Change
Alabama	428.3	298.5	-30.3
Alaska	43.1	27.3	-36.7
Arizona	280.7	152.4	-45.7
Arkansas	261.6	160.9	-38.5
California	1,352.7	870.7	-35.6
Colorado	304.1	193.1	-36.5
Connecticut	234.4	108.1	-53.9
Delaware	108.0	65.9	-39.0
Florida	1,256.9	828.6	-34.1
Georgia	705.6	489.2	-30.7
Hawaii	40.0	35.7	-10.8
Idaho	90.2	65.8	-27.1
Illinois	843.0	433.4	-48.6
Indiana	758.7	418.0	-44.9
Iowa	257.8	145.7	-43.5
Kansas	213.0	114.2	-46.4
Kentucky	624.1	391.2	-37.3
Louisiana	461.5	301.3	-34.7
Maine	104.4	62.9	-39.8
Maryland	304.2	187.4	-38.4
Massachusetts	361.1	181.6	-49.7
Michigan	809.7	439.9	-45.7
Minnesota	367.1	170.1	-53.7
Mississippi	273.6	183.1	-33.1
Missouri	630.4	499.1	-20.8
Montana	71.8	43.7	-39.1
Nebraska	132.2	88.4	-33.1
Nevada	174.3	116.2	-33.3
New Hampshire	180.4	119.9	-33.5
New Jersey	491.5	261.0	-46.9
New Mexico	100.0	51.2	-48.8
New York	1,048.7	303.3	-71.1
North Carolina	847.6	558.2	-34.1
North Dakota	48.0	54.8	14.2
Ohio	1,130.3	617.3	-45.4
Oklahoma	367.4	247.6	-32.6
Oregon	244.6	162.6	-33.5
Pennsylvania	1,072.6	648.9	-39.5
Rhode Island	82.9	38.6	-53.4
South Carolina	401.0	281.4	-29.8
South Dakota	58.3	35.8	-38.6
Tennessee	615.2	406.9	-33.9
Texas	1,394.6	891.3	-36.1
Utah	89.8	56.6	-37.0
Vermont	54.8	25.3	-53.8
Virginia	676.7	553.8	-18.2
Washington	309.2	129.9	-58.0
West Virginia	198.6	180.6	-9.1
Wisconsin	426.5	228.9	-46.3
Wyoming	47.5	32.9	-30.7
Total	21,378.7	12,959.2	-39.4

Source: Orzechowski and Walker. Figures correspond to years ending June 30.

Exhibit 13
2014 Cigarette Prices and Sales

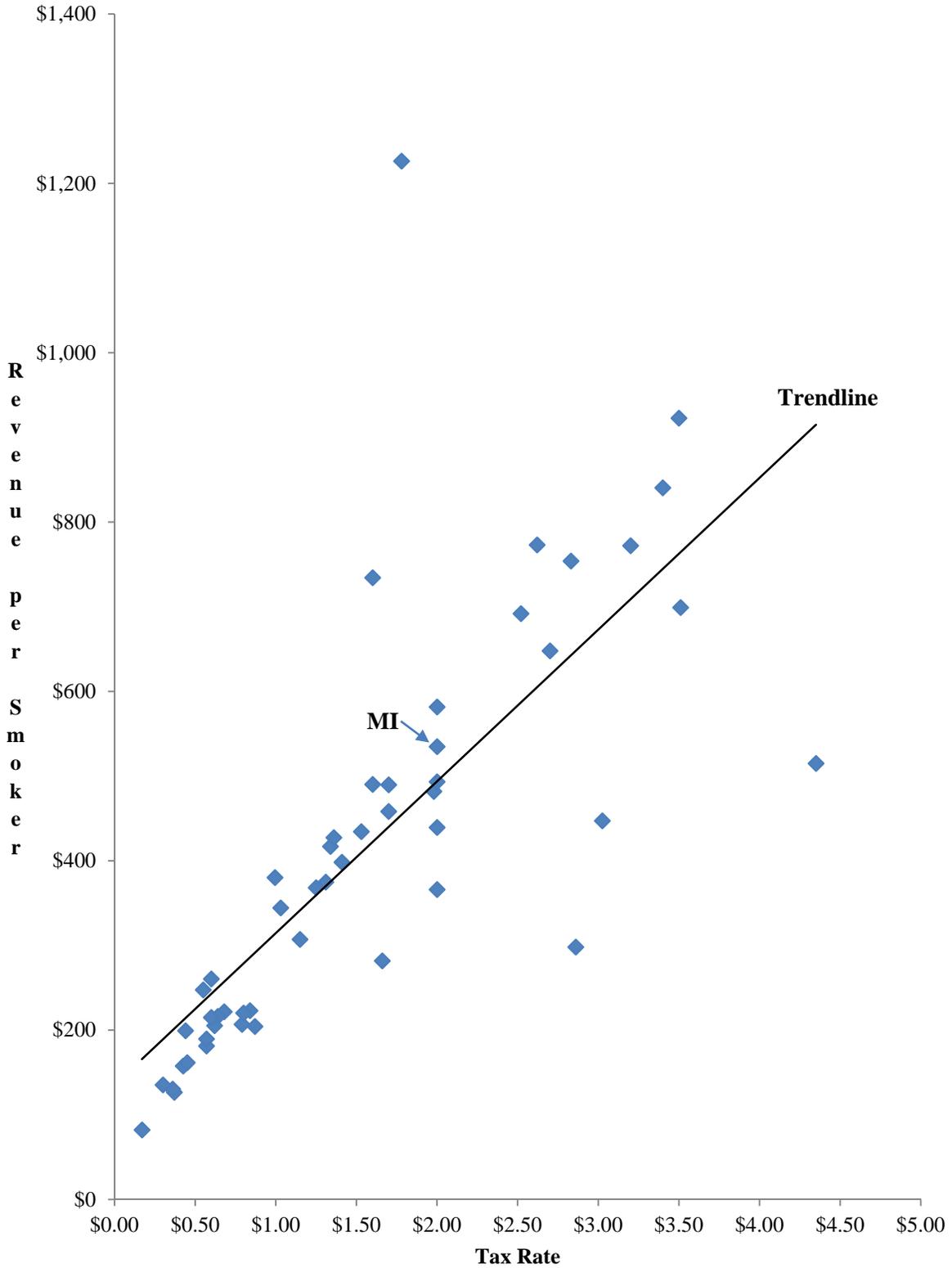
State	2014 State Excise Tax	Weighted Avg. Retail Price ⁽¹⁾	Rank by Price	Per Capita Sales (Packs) ⁽²⁾	Rank by Per Capita Sales
Alabama	\$0.43	\$5.10	38	61.7	12
Alaska	2.00	8.90	2	37.2	34
Arizona	2.00	6.75	13	23.0	46
Arkansas	1.15	5.51	29	54.4	17
California	0.87	5.48	31	22.7	47
Colorado	0.84	5.43	32	36.7	35
Connecticut	3.40	8.21	6	30.1	41
Delaware	1.60	5.82	23	71.2	6
Florida	1.34	5.55	28	42.4	26
Georgia	0.37	4.79	46	49.0	20
Hawaii	3.20	8.84	3	25.4	44
Idaho	0.57	5.06	40	40.8	30
Illinois	1.98	7.25	12	33.6	38
Indiana	1.00	5.39	33	63.6	10
Iowa	1.36	5.79	24	47.1	23
Kansas	0.79	5.25	36	39.5	33
Kentucky	0.60	4.84	45	89.0	3
Louisiana	0.36	4.72	49	65.1	8
Maine	2.00	6.53	14	47.4	21
Maryland	2.00	6.47	16	31.6	39
Massachusetts	3.51	8.78	4	27.1	43
Michigan	2.00	6.49	15	44.5	24
Minnesota	2.83	7.81	8	31.4	40
Mississippi	0.68	5.15	37	61.2	13
Missouri	0.17	4.55	50	82.6	4
Montana	1.70	6.30	20	43.0	25
Nebraska	0.64	5.33	34	47.3	22
Nevada	0.80	5.33	34	41.6	28
New Hampshire	1.78	6.08	21	90.6	2
New Jersey	2.70	7.43	11	29.3	42
New Mexico	1.66	6.34	19	24.6	45
New York	4.35	10.07	1	15.4	50
North Carolina	0.45	4.76	47	56.7	15
North Dakota	0.44	4.73	48	75.8	5
Ohio	1.25	5.67	27	53.3	18
Oklahoma	1.03	5.50	30	64.3	9
Oregon	1.31	5.71	26	41.4	29
Pennsylvania	1.60	6.46	17	50.8	19
Rhode Island	3.50	8.25	5	36.7	35
South Carolina	0.57	4.99	42	58.9	14
South Dakota	1.53	5.93	22	42.3	27
Tennessee	0.62	5.00	41	62.6	11
Texas	1.41	5.76	25	33.7	37
Utah	1.70	6.35	18	19.5	48
Vermont	2.62	7.69	9	40.4	31
Virginia	0.30	4.91	43	67.0	7
Washington	3.03	7.82	7	18.6	49
West Virginia	0.55	4.87	44	97.4	1
Wisconsin	2.52	7.53	10	39.9	32
Wyoming	0.60	5.10	39	56.4	16
U.S. Average	\$1.51	\$5.84		48.8	

(1) As of November 1, 2014, and includes generic brands.

(2) Per capita sales are as of June 30, 2014.

Source: Orzechowski and Walker.

Exhibit 14
State 2014 Cigarette Tax Revenue per Smoker and the Tax Rate



Sources: Prevalence data are from the Centers for Disease Control and Prevention, population data are from the U.S. Census Bureau, and tax collections are from Orzechowski and Walker.

Exhibit 15
Other Tobacco Products Tax Revenue, FY 2014

State	Net Collections (000's)	Percent of Tobacco Taxes From OTP	Smokeless Tobacco Tax Rate (1)	Smokeless Tobacco Use	
				% of Men Over 18	% of Women Over 18
Alabama	\$9,249.7	6.8	1.5 cents/oz.	6.0	0.6
Alaska	12,786.1	19.0	75.0 %	7.4	0.3
Arizona	20,810.2	6.4	22.3 cents/oz.	1.8	0.0
Arkansas	48,396.5	21.4	68.0 %	5.8	0.3
California	77,619.0	9.3	29.0 %	1.0	0.0
Colorado	33,473.9	17.1	40.0 %	2.8	0.1
Connecticut	12,414.1	3.3	50.0 %	1.1	0.1
Delaware	3,562.7	3.3	15.0 %	1.0	0.1
Florida	93,832.5	7.8	85.0 %	1.5	0.1
Georgia	39,622.6	18.0	10.0 %	2.9	0.1
Hawaii	7,597.8	6.2	70.0 %	1.3	0.0
Idaho	11,579.3	23.6	40.0 %	4.3	0.1
Illinois	36,003.4	4.0	36.0 %	2.2	0.1
Indiana	35,207.7	7.8	24.0 %	4.0	0.1
Iowa	28,774.4	13.1	50.0 %	6.1	0.2
Kansas	7,245.9	7.4	10.0 %	7.4	0.1
Kentucky	20,483.9	8.0	15.0 %	6.8	0.2
Louisiana	29,322.5	21.3	20.0 %	4.0	0.1
Maine	11,747.5	8.5	\$2.02/oz.	2.9	0.1
Maryland	33,658.6	8.3	30.0 %	1.3	0.0
Massachusetts	31,142.2	4.8	210.0 %	0.4	0.1
Michigan	67,783.1	7.2	32.0 %	3.0	0.1
Minnesota	78,460.5	12.2	95.0 %	4.2	0.1
Mississippi	16,978.5	12.0	15.0 %	9.3	1.3
Missouri	17,225.2	16.9	10.0 %	5.0	0.2
Montana	12,546.1	14.6	50.0 %	9.4	0.2
Nebraska	9,281.2	14.1	20.0 %	6.6	0.1
Nevada	11,620.3	11.1	30.0 %	1.8	0.0
New Hampshire	9,643.2	4.4	65.0 %	1.5	0.0
New Jersey	22,801.7	3.1	30.0 %	0.3	0.0
New Mexico	7,462.4	8.0	25.0 %	3.4	0.2
New York	91,572.7	6.5	75.0 %	1.0	0.0
North Carolina	34,165.5	12.1	12.8 %	3.4	0.5
North Dakota	7,053.2	22.5	16 cents/oz.	7.7	0.3
Ohio	54,054.3	6.5	17.0 %	4.8	0.1
Oklahoma	60,909.0	20.3	60.0 %	7.2	0.1
Oregon	56,370.7	22.1	\$1.78/oz.	5.6	0.2
Pennsylvania	NA	NA	NA	5.5	0.1
Rhode Island	4,762.3	3.4	80.0 %	1.0	0.1
South Carolina	7,746.9	4.7	5.0 %	4.3	0.4
South Dakota	7,681.7	12.3	35.0 %	7.0	0.5
Tennessee	14,542.6	5.5	6.6 %	6.5	0.5
Texas	213,493.5	14.5	\$1.22/oz.	3.5	0.1
Utah	18,555.7	16.2	86.0 %	3.5	0.1
Vermont	7,125.9	9.9	92.0 %	2.4	0.2
Virginia	19,068.5	10.3	Varies by wgt.	3.4	0.1
Washington	46,469.3	10.6	95.0 %	5.3	0.1
West Virginia	7,250.8	7.1	7.0 %	12.5	0.3
Wisconsin	67,682.2	10.5	71.0 %	3.1	0.2
Wyoming	5,148.8	21.4	20.0 %	14.0	0.9
Total/National	\$1,581,986.2	9.3		3.8	0.1

(1) When tax rates differ by type, the rate for chewing tobacco is shown. Rates effective January 1, 2015.

Sources: Orzechowski & Walker. Usage rates are from the Centers for Disease Control and Prevention for 2010-11.

Exhibit 16
Percentage of Adults Currently Smoking Cigarettes, 2013

<u>State</u>	<u>Overall</u>	<u>Rank</u>	<u>Men</u>	<u>Women</u>
Alabama	21.5	13	25.1	18.2
Alaska	22.6	9	22.9	22.2
Arizona	16.3	42	19.3	13.5
Arkansas	25.9	3	26.7	25.2
California	12.5	49	16.1	9.1
Colorado	17.7	33	19.0	16.4
Connecticut	15.5	47	16.8	14.3
Delaware	19.6	21	22.0	17.3
Florida	16.8	37	19.5	14.4
Georgia	18.8	28	22.6	15.4
Hawaii	13.3	48	15.7	11.0
Idaho	17.2	36	19.4	15.0
Illinois	18.0	31	21.2	15.0
Indiana	21.9	12	23.5	20.4
Iowa	19.5	23	22.5	16.6
Kansas	20.0	20	22.3	17.8
Kentucky	26.5	2	28.4	24.6
Louisiana	23.5	7	27.3	20.0
Maine	20.2	19	22.4	18.2
Maryland	16.4	41	19.4	13.7
Massachusetts	16.6	38	18.7	14.7
Michigan	21.4	14	24.7	18.3
Minnesota	18.0	31	19.4	16.7
Mississippi	24.8	4	28.0	22.0
Missouri	22.1	10	24.3	20.1
Montana	19.0	26	20.7	17.3
Nebraska	18.5	30	19.8	17.2
Nevada	19.4	24	20.6	18.1
New Hampshire	16.2	43	16.7	15.8
New Jersey	15.7	46	17.5	13.9
New Mexico	19.1	25	22.2	16.2
New York	16.6	38	19.3	14.1
North Carolina	20.3	18	23.4	17.3
North Dakota	21.2	15	22.9	19.4
Ohio	23.4	8	24.1	22.6
Oklahoma	23.7	6	25.8	21.7
Oregon	17.3	35	18.7	16.0
Pennsylvania	21.0	16	23.5	18.6
Rhode Island	17.4	34	19.1	15.9
South Carolina	22.0	11	26.2	18.1
South Dakota	19.6	21	19.7	19.4
Tennessee	24.3	5	26.8	22.0
Texas	15.9	45	18.7	13.1
Utah	10.3	50	11.9	8.8
Vermont	16.6	38	17.9	15.4
Virginia	19.0	26	21.6	16.7
Washington	16.1	44	17.8	14.3
West Virginia	27.3	1	28.6	26.1
Wisconsin	18.7	29	20.1	17.3
Wyoming	20.6	17	22.1	19.2
Median for U.S. States	19.1		21.4	17.3

Source: Behavioral Risk Factor Surveillance System reported by Centers for Disease Control.

Exhibit 17
Prevalence of Cigarette Smoking and the Tax Rate on Cigarettes

