

MICHIGAN'S CIGARETTE AND TOBACCO TAXES

2006 Statistical Update



Office of Revenue and Tax Analysis
Michigan Department of Treasury
August 2007

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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 39 cents per pack. The state tax on tobacco products other than cigarettes is 32 percent of the wholesale price following the 2004 tax increase.

Tobacco tax revenue totaled \$1,169.0 million in fiscal year (FY) 2006, down \$10.9 million from FY 2005. This represented a 0.9 percent decrease in tobacco tax revenues compared to FY 2005. Tobacco taxes now account for 5.0 percent of all Michigan taxes, almost twice as high as in 2001, before the recent tax increases. 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 2006, 40.4 percent of tobacco tax revenues were earmarked to the School Aid Fund and 33.4 percent of revenues were earmarked to the Medicaid health program for low-income residents. Exhibit 4 presents the distribution of FY 2006 revenues by fund. Exhibit 5 highlights the growth in tobacco taxes over the past six years, separating tobacco tax revenue between cigarettes and other tobacco products (cigars, snuff, and pipe, chewing, and roll-your-own smoking tobacco).

Cigarette consumption has declined in recent years. Taxable cigarette sales decreased in FY 2006 by an estimated 0.7 percent to 574.2 million packs sold taxed. Much of the decline in consumption is probably due to reductions in cigarette smoking due to the higher tax rate. Taxable cigarette sales are down more than 26 percent since 2001, when the cigarette tax was 75 cents per pack of 20 cigarettes. Per capita sales have also declined to 56.9 packs in 2006, compared to 57.3 packs in 2005 and 78.2 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 are not taxed by Michigan. A common source for these purchases is through Internet sites that advertise "tax-free" cigarettes. The Michigan Tobacco Products Tax Act prohibits the possession of cigarettes within Michigan unless the package of cigarettes was subject to the Michigan tax on tobacco products. In response to the growth of Internet tobacco sales, the Department of Treasury has increased its enforcement activities related to on-line tobacco sales. The Department of Treasury obtained information from a number of Internet cigarette retailers on customer purchases shipped to Michigan. The Michigan customers were subsequently billed for the unpaid taxes due on their cigarette purchases. More information about enforcement of Michigan's tobacco tax laws may be found at: http://www.michigan.gov/taxes/0,1607,7-238-43542_43548---,00.html.

The federal cigarette tax raised \$7.5 billion in the year ending June 2006, down from \$7.6 billion in the preceding year. The decrease in federal tax revenue reflects a 1.1 percent decline in national cigarette consumption, close to the average decline of 1.6 percent per year from 1976 to 2006.¹

¹ Orzechowski and Walker.

Exhibit 8 provides historical information on federal tax collections and national cigarette consumption.

Forty-eight states have increased their cigarette tax rate since 1990. In 2007, Michigan had the 4th highest tax rate in the nation at \$2.00 (tied with Alaska, Arizona, Connecticut, and Maine). Generally states with higher taxes have fewer cigarettes sold subject to the tax, although the relationship is imprecise. For example, Michigan has a relatively high cigarette tax but ranks 30th in the nation in taxable cigarette sales per capita. By comparison, California and Utah both rank much lower in both their cigarette tax rates and sales per capita. Still, Michigan has seen a larger decline in taxable cigarette sales than the overall U.S. decline over the past 10 years. Exhibits 9 through 13 compare cigarette taxes, prices, and taxable cigarette sales across the U.S.

Michigan's tax on other tobacco products (OTP) has risen from 16 percent of the wholesale price from May 1994 to August 2002, to 32 percent of the price following the 2004 tax increase. The higher tax rate on OTP has contributed to increased tax revenues. While the tax rate on OTP has doubled in recent years, it remains significantly lower than the tax rate on cigarettes as a percentage of the price. Exhibit 14 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 22.4 percent in 2006, higher than the median value across the U.S. states of 20.3 percent. Men are more likely to smoke than women, both in Michigan and across the U.S. Exhibit 15 compares the overall prevalence of smoking and provides the distribution by gender for all fifty states.

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 16 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. Much of the decline in youth smoking occurred prior to the 2002 tax increase, but the decline in Michigan has been larger than the decline in youth smoking nationally. In addition, youth smoking in Michigan continued to decline in 2005 while youth smoking rose somewhat nationally.

More reports on Michigan's tobacco taxes are available on the Department of Treasury's website at www.michigan.gov/treasury. Click on "Revenue, Economic & Budget Data" to bring up a list of tax reports prepared by the Office of Revenue and Tax Analysis. If you would like to download older tobacco reports, click on the "List of Archived Reports" at the bottom of the page. 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 Tax Revenue	Total Tax Revenue	Revenue Per Penny of Tax	Inflation-Adjusted Revenue (1)	Tax as Percent of Total Taxes
1976	11	\$139,647 (2)	\$4,907,922	\$12,695	483,356	2.85
1977	11	140,261	4,760,007	12,751	454,289	2.95
1978	11	140,739	5,389,620	12,794	423,726	2.61
1979	11	140,364	6,044,023	12,760	374,940	2.32
1980	11	141,205	6,126,400	12,837	325,450	2.30
1981	11	152,827	6,195,020	13,893	322,380	2.47
1982	11/21	188,003 (3)	6,371,191	12,396	381,045	2.95
1983	21	242,068	7,337,434	11,527	476,859	3.30
1984	21	240,957	8,405,736	11,474	459,032	2.87
1985	21	241,037	8,958,027	11,478	443,707	2.69
1986	21	236,489	9,270,805	11,261	429,305	2.55
1987	21	237,382	9,591,731	11,304	417,809	2.47
1988	21/25	264,496 (3)	10,285,540	11,021	447,889	2.57
1989	25	267,016	10,850,896	10,681	429,234	2.46
1990	25	255,339	11,062,400	10,214	390,355	2.31
1991	25	259,160	10,865,460	10,366	382,801	2.39
1992	25	246,005	11,267,492	9,840	355,884	2.18
1993	25	243,648	11,891,105	9,746	343,132	2.05
1994	25/75	395,715 (3)	14,014,810	8,634	540,261	2.82
1995	75	619,401	17,009,114	8,259	819,477	3.64
1996	75	580,772	18,090,458	7,744	748,720	3.21
1997	75	546,026	18,970,316	7,280	686,812	2.88
1998	75	566,046	20,149,025	7,547	696,400	2.81
1999	75	615,129	21,472,775	8,202	737,855	2.86
2000	75	604,212	22,363,369	8,056	699,576	2.70
2001	75	596,082	21,872,223	7,948	671,959	2.73
2002	75/125	669,914 (3)	21,455,308	8,039	736,194	3.12
2003	125	891,775	21,718,157	7,134	960,674	4.11
2004	125/200	992,793 (3)	22,097,228	6,906	1,052,768	4.49
2005	200	1,179,871	23,121,664	5,899	1,215,737	5.10
2006	200	1,169,005	23,364,924	5,845	1,169,005	5.00

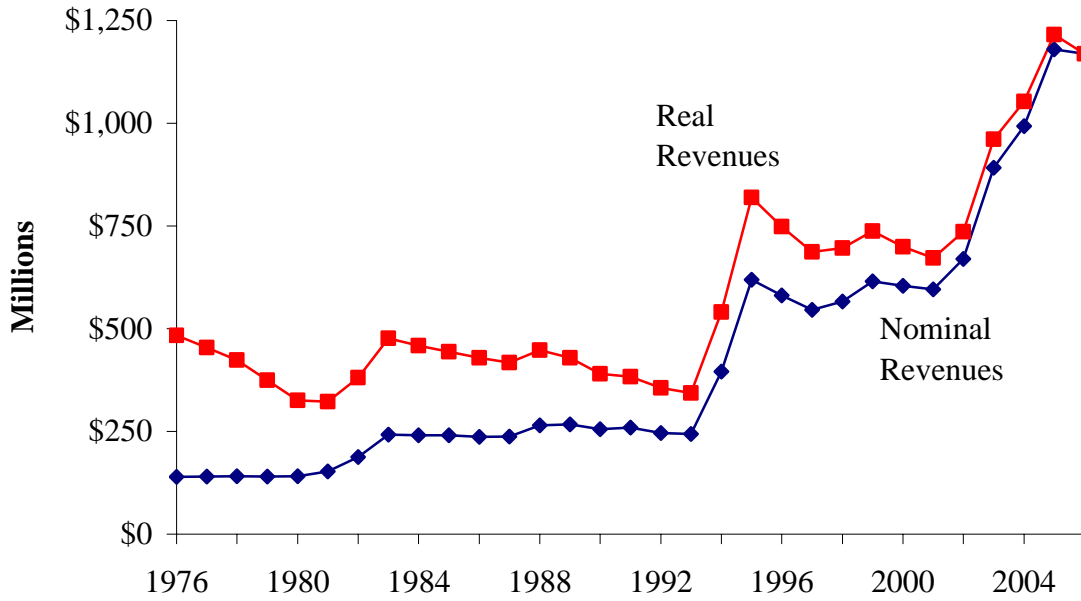
(1) Adjusted for inflation to 2006 dollars.

(2) Actual revenues listed at \$174.5 million due to extended fiscal year. Figure was deflated by 20 percent as an adjustment. After 1994 figures include tax from other tobacco products.

(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.

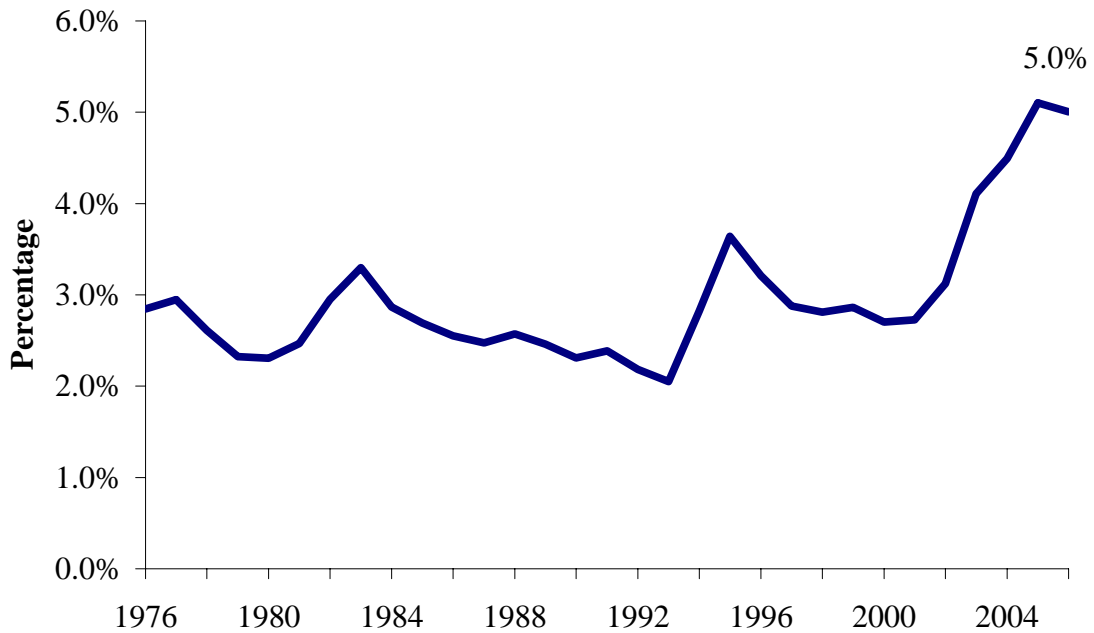
Sources: Michigan Department of Management and Budget and Bureau of Labor Statistics.

Exhibit 2
Michigan Cigarette Tax Collections



Source: Michigan Department of Management and Budget.

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



Source: Michigan Department of Management and Budget.

Exhibit 4
Distribution of Tobacco Tax Revenue
FY 2006

<u>Distribution</u>	<u>FY 2006 Revenue (thousands)</u>	<u>Percent of Revenue</u>
General Fund/General Purpose	\$228,994	19.6%
School Aid Fund	\$472,199	40.4%
Health and Safety Fund	\$27,913	2.4%
Healthy Michigan Fund	\$42,898	3.7%
Medicaid Benefit Trust Fund	\$390,741	33.4%
Wayne County - Indigent Care	\$6,259	0.5%
Total	\$1,169,005	100.0%

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

Exhibit 5
Distribution of Tobacco Tax Revenue by Product
Fiscal Years 2001 – 2006

<u>Year</u>	<u>Tax Rate</u>		<u>Tax Revenue (thousands)</u>		
	<u>Cigarette (1)</u>	<u>OTP (2)</u>	<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 (3)	\$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

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 revenue and cigarette revenue for 2002 and 2004 includes revenue from the inventory tax.

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

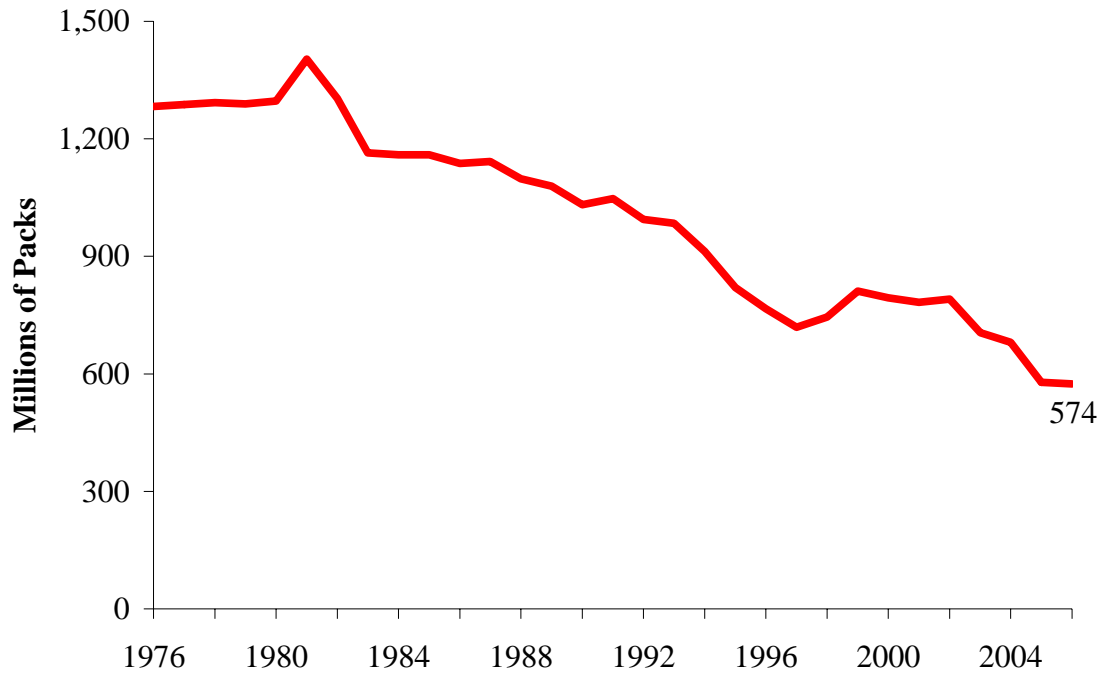
Exhibit 6
Cigarette Packs Sold Taxed

<u>Year</u>	<u>Average Retail Price</u>	<u>Percentage Change</u>	<u>Calculated Packs Sold Taxed (000s)</u>	<u>Percentage Change</u>	<u>Calculated Per Capita Packs Sold Taxed</u>	<u>Percentage Change</u>
1976	\$0.48	NA	1,282,342	NA	140.5	NA
1977	0.54	12.5	1,287,980	0.4	140.4	0.0
1978	0.57	5.6	1,292,369	0.3	140.2	-0.2
1979	0.60	5.3	1,288,926	-0.3	139.1	-0.8
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	78.2	-2.0
2002	4.35	14.6	791,075	1.1	78.8	0.7
2003	4.33	-0.3	705,293	-10.8	70.1	-11.1
2004	5.09	17.4	680,957	-3.5	67.5	-3.7
2005	5.10	0.3	578,480	-15.0	57.3	-15.1
2006	5.29	3.8	574,189	-0.7	56.9	-0.7
Annual Average Change 1976 - 2005		8.5%		-2.7%		-3.0%

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.

Exhibit 7
Annual Packs Sold Taxed



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

Exhibit 8
National Cigarette Tax Trends

<u>Year</u>	<u>Federal Tax Rate Per Pack (Cents)</u>	<u>Federal Revenues (Millions) (1)</u>	<u>Consumption (Millions of Packs)</u>	<u>Percent Change in Consumption</u>
1976	8.0	\$ 2,434.8	30,955.9	NA
1977	8.0	2,279.2	29,812.8	-3.7
1978	8.0	2,374.1	30,477.3	2.2
1979	8.0	2,356.1	30,755.9	0.9
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
Annual Average Change 1976 - 2006		3.8%	-1.6%	

(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, 1990 - 2007	
	1980	1990	2007	Actual	Percent
Alabama	12.0	16.5	42.5	26.0	157.6
Alaska	8.0	29.0	200.0	171.0	589.7
Arizona	13.0	18.0	200.0	182.0	1,011.1
Arkansas	17.8	21.0	59.0	38.0	181.0
California	10.0	35.0	87.0	52.0	148.6
Colorado	10.0	20.0	84.0	64.0	320.0
Connecticut	21.0	40.0	200.0	160.0	400.0
Delaware	14.0	14.0	55.0	41.0	292.9
Florida	21.0	24.0	33.9	9.9	41.3
Georgia	12.0	12.0	37.0	25.0	208.3
Hawaii	14.0	42.0	160.0	118.0	281.0
Idaho	9.1	18.0	57.0	39.0	216.7
Illinois	12.0	30.0	98.0	68.0	226.7
Indiana	10.5	15.5	99.5	84.0	541.9
Iowa	13.0	31.0	136.0	105.0	338.7
Kansas	11.0	24.0	79.0	55.0	229.2
Kentucky	3.0	3.0	30.0	27.0	900.0
Louisiana	11.0	20.0	36.0	16.0	80.0
Maine	16.0	31.0	200.0	169.0	545.2
Maryland	10.0	13.0	100.0	87.0	669.2
Massachusetts	21.0	26.0	151.0	125.0	480.8
Michigan	11.0	25.0	200.0	175.0	700.0
Minnesota	18.0	38.0	123.0	85.0	223.7
Mississippi	11.0	18.0	18.0	0.0	0.0
Missouri	9.0	13.0	17.0	4.0	30.8
Montana	12.0	18.0	170.0	152.0	844.4
Nebraska	13.0	27.0	64.0	37.0	137.0
Nevada	10.0	35.0	80.0	45.0	128.6
New Hampshire	12.0	25.0	108.0	83.0	332.0
New Jersey	19.0	40.0	257.5	217.5	543.8
New Mexico	12.0	15.0	91.0	76.0	506.7
New York	15.0	39.0	150.0	111.0	284.6
North Carolina	2.0	2.0	35.0	33.0	1,650.0
North Dakota	12.0	30.0	44.0	14.0	46.7
Ohio	15.0	18.0	125.0	107.0	594.4
Oklahoma	18.0	23.0	103.0	80.0	347.8
Oregon	9.0	28.0	118.0	90.0	321.4
Pennsylvania	18.0	18.0	135.0	117.0	650.0
Rhode Island	18.0	37.0	246.0	209.0	564.9
South Carolina	7.0	7.0	7.0	0.0	0.0
South Dakota	14.0	23.0	153.0	130.0	565.2
Tennessee	13.0	13.0	62.0	49.0	376.9
Texas	18.5	41.0	141.0	100.0	243.9
Utah	10.0	23.0	69.5	46.5	202.2
Vermont	12.0	17.0	179.0	162.0	952.9
Virginia	2.5	2.5	30.0	27.5	1,100.0
Washington	16.0	34.0	202.5	168.5	495.6
West Virginia	17.0	17.0	55.0	38.0	223.5
Wisconsin	16.0	30.0	77.0	47.0	156.7
Wyoming	8.0	12.0	60.0	48.0	400.0
U.S. Average	12.7	23.0	105.3	82.3	357.3
Federal Tax	8.0	16.0	39.0	23.0	143.8

Sources: Orzechowski and Walker, Federation of Tax Administrators, and Campaign for Tobacco-Free Kids.
Tax rates for 2007 are those in effect on July 1.

Exhibit 10
State Comparisons, 2006 Cigarette Tax

<u>State</u>	<u>Tax Rate (Cents) (1)</u>	<u>Rank</u>	<u>2006 Revenues (Thousands) (2)</u>
Alabama	42.5	41	\$161,435
Alaska	200.0	4	57,911
Arizona	200.0	4	296,078
Arkansas	59.0	36	133,418
California	87.0	27	1,035,291
Colorado	84.0	28	208,073
Connecticut	200.0	4	269,670
Delaware	55.0	38	86,091
Florida	33.9	45	432,823
Georgia	37.0	42	229,087
Hawaii	160.0	11	85,702
Idaho	57.0	37	47,917
Illinois	98.0	25	643,743
Indiana	99.5	24	343,491
Iowa	136.0	16	91,301
Kansas	79.0	30	120,015
Kentucky	30.0	46	176,327
Louisiana	36.0	43	125,960
Maine	200.0	4	153,015
Maryland	100.0	23	274,107
Massachusetts	151.0	13	426,506
Michigan	200.0	4	1,143,260
Minnesota	123.0	19	390,965
Mississippi	18.0	48	48,478
Missouri	17.0	49	102,962
Montana	170.0	10	82,180
Nebraska	64.0	33	67,026
Nevada	80.0	29	131,803
New Hampshire	108.0	21	142,008
New Jersey	257.5	1	788,651
New Mexico	91.0	26	62,036
New York	150.0	14	941,501
North Carolina	35.0	44	169,270
North Dakota	44.0	40	20,639
Ohio	125.0	18	1,010,469
Oklahoma	103.0	22	197,713
Oregon	118.0	20	234,067
Pennsylvania	135.0	17	1,047,777
Rhode Island	246.0	2	125,110
South Carolina	7.0	50	28,725
South Dakota	153.0	12	28,463
Tennessee	62.0	34	117,659
Texas	141.0	15	507,160
Utah	69.5	32	59,292
Vermont	179.0	9	47,398
Virginia	30.0	46	179,924
Washington	202.5	3	425,195
West Virginia	55.0	38	112,116
Wisconsin	77.0	31	306,392
Wyoming	60.0	35	24,084
Average/Total	105.3		\$13,940,284

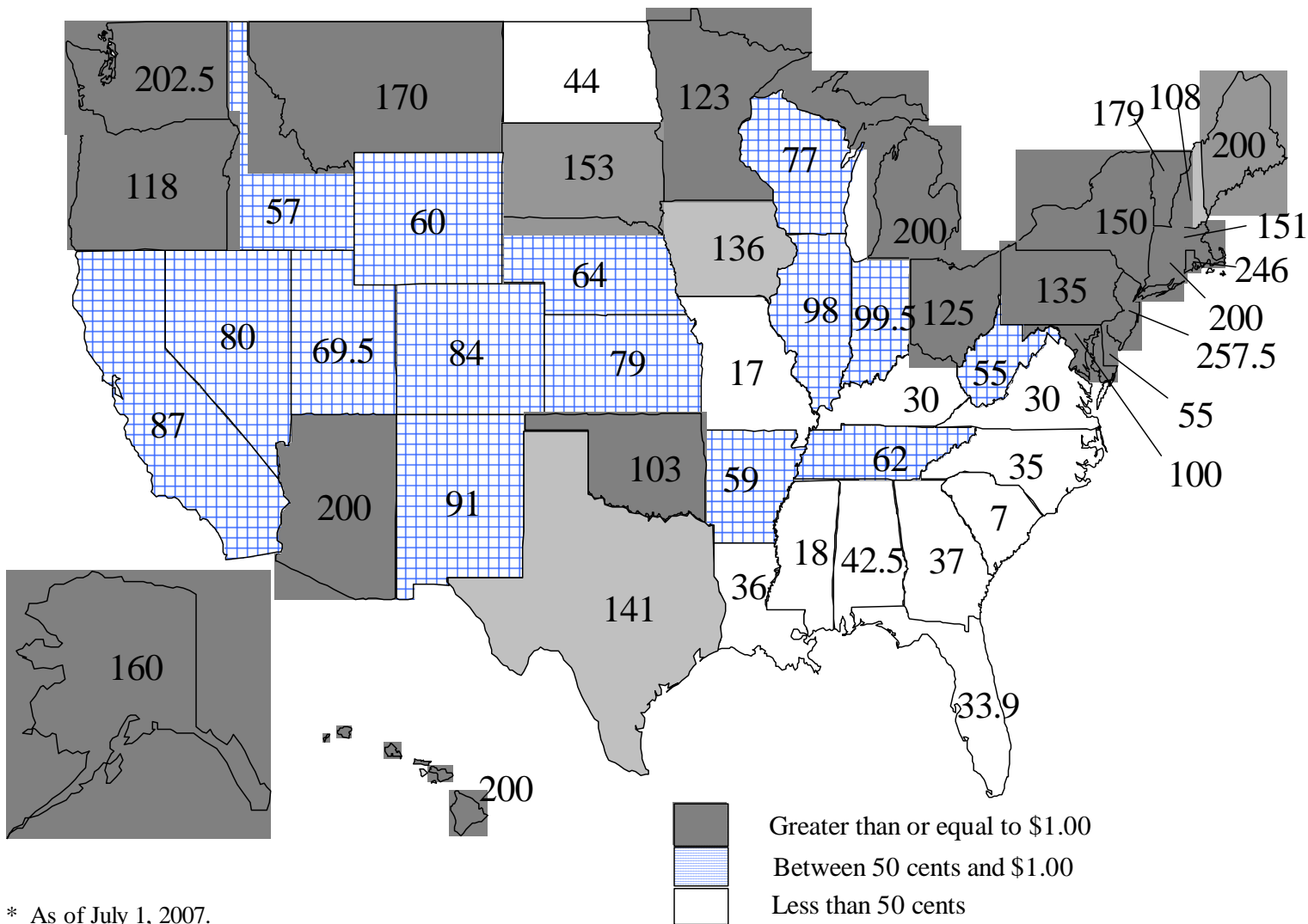
(1) Includes tax law changes effective on or before July 1, 2007.

(2) For year ending June 30, 2006.

Sources: Orzechowski and Walker and Federation of Tax Administrators.

Exhibit 11
2007 State Cigarette Tax Rates (Cents Per Pack)*

10



Greater than or equal to \$1.00
 Between 50 cents and \$1.00
 Less than 50 cents

Exhibit 12
Taxed Cigarette Consumption Trends (Millions)

<u>State</u>	<u>1996 Packs Sold Taxed</u>	<u>2006 Packs Sold Taxed</u>	<u>Percent Change</u>
Alabama	429.9	379.8	-11.7
Alaska	54.9	36.2	-34.1
Arizona	295.9	250.9	-15.2
Arkansas	272.9	226.1	-17.1
California	1,741.9	1,190.0	-31.7
Colorado	308.7	247.8	-19.7
Connecticut	248.8	178.6	-28.2
Delaware	91.4	154.9	69.5
Florida	1,295.2	1,279.8	-1.2
Georgia	732.6	619.1	-15.5
Hawaii	61.1	61.2	0.2
Idaho	84.6	84.1	-0.6
Illinois	963.6	656.9	-31.8
Indiana	780.6	618.9	-20.7
Iowa	266.4	253.0	-5.0
Kansas	227.2	151.9	-33.1
Kentucky	687.7	606.2	-11.9
Louisiana	462.0	349.9	-24.3
Maine	123.7	85.6	-30.8
Maryland	377.5	274.1	-27.4
Massachusetts	451.6	282.5	-37.4
Michigan	788.8	571.6	-27.5
Minnesota	374.8	285.5	-23.8
Mississippi	286.9	269.3	-6.1
Missouri	657.8	609.7	-7.3
Montana	75.4	48.3	-35.9
Nebraska	140.3	104.7	-25.4
Nevada	150.4	165.3	9.9
New Hampshire	180.6	177.5	-1.7
New Jersey	627.0	328.6	-47.6
New Mexico	109.9	68.2	-37.9
New York	1,197.6	623.8	-47.9
North Carolina	924.5	778.2	-15.8
North Dakota	51.6	46.9	-9.1
Ohio	1,197.2	808.4	-32.5
Oklahoma	362.5	309.4	-14.6
Oregon	294.3	199.0	-32.4
Pennsylvania	1,125.7	775.2	-31.1
Rhode Island	87.1	50.9	-41.6
South Carolina	378.1	410.4	8.5
South Dakota	66.8	53.7	-19.6
Tennessee	621.9	588.8	-5.3
Texas	1,387.9	1,240.4	-10.6
Utah	104.4	85.3	-18.3
Vermont	59.7	39.8	-33.3
Virginia	689.5	597.2	-13.4
Washington	313.1	212.0	-32.3
West Virginia	205.6	203.9	-0.8
Wisconsin	471.0	397.9	-15.5
Wyoming	52.9	40.1	-24.2
Total	22,941.5	18,077.5	-21.2

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

Exhibit 13
2006 Cigarette Prices and Sales

<u>State</u>	<u>2007 State Excise Tax</u>	<u>Weighted Avg. Retail Price (1)</u>	<u>Rank by Price</u>	<u>Per Capita Sales (Packs) (2)</u>	<u>Rank by Per Capita Sales</u>
Alabama	\$0.43	\$3.54	34	83.3	13
Alaska	2.00	5.82	2	54.5	34
Arizona	2.00	4.35	15	42.2	44
Arkansas	0.59	3.71	31	81.4	14
California	0.87	3.95	23	32.9	49
Colorado	0.84	4.03	21	53.1	36
Connecticut	2.00	4.67	13	50.9	39
Delaware	0.55	3.56	33	183.6	1
Florida	0.34	3.44	41	71.9	19
Georgia	0.37	3.50	37	68.2	24
Hawaii	1.60	5.27	8	48.0	41
Idaho	0.57	3.65	32	58.8	29
Illinois	0.98	4.82	12	51.5	38
Indiana	1.00	3.49	39	98.7	6
Iowa	1.36	3.36	43	85.3	12
Kansas	0.79	3.99	22	55.4	32
Kentucky	0.30	3.32	45	145.3	2
Louisiana	0.36	3.50	37	77.3	17
Maine	2.00	5.28	7	64.8	25
Maryland	1.00	4.11	19	48.9	40
Massachusetts	1.51	5.00	9	44.1	43
Michigan	2.00	5.29	6	56.5	30
Minnesota	1.23	4.59	14	55.6	31
Mississippi	0.18	3.22	49	92.2	9
Missouri	0.17	3.25	47	105.1	5
Montana	1.70	4.91	10	51.6	37
Nebraska	0.64	3.72	30	59.5	28
Nevada	0.80	3.78	26	68.5	23
New Hampshire	1.08	3.76	27	135.5	3
New Jersey	2.58	5.99	1	37.7	45
New Mexico	0.91	3.82	25	35.4	46
New York	1.50	5.44	4	32.4	50
North Carolina	0.35	3.29	46	89.6	10
North Dakota	0.44	3.37	42	73.7	18
Ohio	1.25	4.19	18	70.5	21
Oklahoma	1.03	4.04	20	87.2	11
Oregon	1.18	4.21	17	54.7	33
Pennsylvania	1.35	4.30	16	62.4	27
Rhode Island	2.46	5.71	3	47.3	42
South Carolina	0.07	3.09	50	96.4	8
South Dakota	1.53	3.50	36	69.2	22
Tennessee	0.62	3.24	48	98.7	6
Texas	1.41	3.33	44	54.3	35
Utah	0.70	3.72	29	34.5	47
Vermont	1.79	4.85	11	63.9	26
Virginia	0.30	3.50	35	78.9	15
Washington	2.03	5.40	5	33.7	48
West Virginia	0.55	3.48	40	112.2	4
Wisconsin	0.77	3.87	24	71.3	20
Wyoming	0.60	3.72	28	78.8	16
U.S. Average	\$1.05	\$3.93		71.0	

(1) As of November 1, 2006, and includes generic brands.

(2) Per capita sales are as of June 30, 2006.

Source: Orzechowski and Walker.

Exhibit 14
Other Tobacco Products Tax Revenue, FY 2006

State	Net Collections (000's)	Percent of Tobacco Taxes From OTP	Smokeless Tobacco Tax Rate	Smokeless Tobacco Use	
				% of Men Over 18	% of Women Over 18
Alabama	\$5,723.8	3.4	1.5 cents/oz. (1)	7.8	0.9
Alaska	7,729.5	11.8	75.0 %	5.3	0.5
Arizona	9,361.1	3.1	22.3 cents/oz. (1)	2.1	0.1
Arkansas	20,641.4	13.4	32.0 %	8.4	0.6
California	57,729.0	5.3	46.8 %	1.0	0.0
Colorado	23,360.5	10.1	40.0 %	3.8	0.1
Connecticut	4,688.0	1.7	20.0 %	1.1	0.0
Delaware	1,364.9	1.6	15.0 %	1.2	0.1
Florida	29,594.5	6.4	25.0 %	1.5	0.1
Georgia	25,640.7	10.1	10.0 %	4.8	0.9
Hawaii	2,558.5	2.9	40.0 %	0.6	0.0
Idaho	7,163.8	13.0	40.0 %	5.8	0.1
Illinois	19,209.7	2.9	18.0 %	2.1	0.1
Indiana	16,707.6	4.6	18.0 %	3.0	0.0
Iowa	9,204.2	9.2	22.0 %	4.0	0.0
Kansas	4,977.6	4.0	10.0 %	7.8	0.2
Kentucky	6,291.9	3.4	7.5 %	7.9	0.0
Louisiana	17,243.6	12.0	20.0 %	4.0	0.2
Maine	5,453.9	3.4	78.0 %	2.0	0.1
Maryland	8,704.1	3.1	15.0 %	1.1	0.0
Massachusetts	11,331.6	2.6	90.0 %	0.6	0.0
Michigan	40,419.5	3.4	32.0 %	2.3	0.0
Minnesota	34,699.6	8.2	70.0 %	4.7	0.1
Mississippi	12,736.2	20.8	15.0 %	10.1	0.8
Missouri	11,440.6	10.0	10.0 %	5.1	0.2
Montana	9,632.7	10.5	50.0 %	10.3	0.2
Nebraska	5,296.5	7.3	20.0 %	7.1	0.2
Nevada	8,178.6	5.8	30.0 %	2.3	0.2
New Hampshire	1,385.1	1.0	19.0 %	0.6	0.0
New Jersey	13,461.8	1.7	30.0 %	0.8	0.0
New Mexico	5,370.0	8.0	25.0 %	3.7	0.1
New York	41,109.3	4.2	37.0 %	1.1	0.1
North Carolina	6,502.6	3.7	3.0 %	4.2	1.0
North Dakota	2,706.4	11.6	16 cents/oz. (1)	6.5	0.2
Ohio	30,589.5	2.9	17.0 %	4.9	0.0
Oklahoma	31,656.0	13.8	60.0 %	6.9	0.2
Oregon	31,529.6	11.9	65.0 %	4.3	0.2
Pennsylvania	NA	NA	NA	4.4	0.1
Rhode Island	2,362.7	1.9	40.0 %	0.5	0.0
South Carolina	4,650.0	13.9	5.0 %	3.7	0.5
South Dakota	1,478.9	4.9	10.0 %	6.5	0.4
Tennessee	9,018.8	7.1	6.6 %	7.0	0.5
Texas	78,238.1	13.4	40.0 %	4.6	0.2
Utah	6,900.1	10.4	35.0 %	2.4	0.1
Vermont	2,727.1	5.4	41.0 %	3.6	0.0
Virginia	14,952.7	7.7	10.0 %	2.7	0.1
Washington	29,468.9	6.5	75.0 %	4.3	0.0
West Virginia	5,000.8	4.3	7.0 %	11.4	0.6
Wisconsin	16,420.9	5.1	25.0 %	4.3	0.1
Wyoming	2,689.6	10.0	20.0 %	11.8	0.3
Total/National	\$755,302.4	5.5		4.1	0.1

(1) When tax rates differ by type, the rate for chewing tobacco is shown. Rates effective January 1, 2007.

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

Exhibit 15
Percentage of Adults Currently Smoking Cigarettes, 2006

<u>State</u>	<u>Overall</u>	<u>Rank</u>	<u>Men</u>	<u>Women</u>
Alabama	23.3	9	26.3	20.6
Alaska	24.2	5	25.3	22.9
Arizona	18.1	38	21.7	14.7
Arkansas	23.7	7	25.9	21.7
California	14.9	49	18.5	11.4
Colorado	17.9	42	19.3	16.4
Connecticut	17.0	47	18.9	15.3
Delaware	21.7	17	23.3	20.2
Florida	21.0	21	23.6	18.7
Georgia	20.0	27	22.4	17.7
Hawaii	17.5	45	19.2	16.0
Idaho	16.8	48	18.7	15.0
Illinois	20.5	24	24.2	17.0
Indiana	24.1	6	26.3	21.9
Iowa	21.5	19	23.2	19.9
Kansas	20.0	27	22.2	18.0
Kentucky	28.6	1	29.1	28.1
Louisiana	23.4	8	26.6	20.5
Maine	20.9	22	21.8	20.0
Maryland	17.8	43	19.1	16.7
Massachusetts	17.8	43	19.4	16.4
Michigan	22.4	13	24.8	20.1
Minnesota	18.3	36	18.5	18.2
Mississippi	25.1	3	27.9	22.5
Missouri	23.3	9	24.7	22.1
Montana	19.0	32	18.5	19.6
Nebraska	18.6	34	19.6	17.7
Nevada	22.2	15	22.9	21.4
New Hampshire	18.7	33	19.3	18.2
New Jersey	18.1	38	20.8	15.6
New Mexico	20.2	26	22.6	17.8
New York	18.3	36	19.0	17.6
North Carolina	22.1	16	25.3	19.0
North Dakota	19.6	29	21.0	18.1
Ohio	22.5	12	24.9	20.2
Oklahoma	25.1	3	27.9	22.5
Oregon	18.5	35	19.7	17.2
Pennsylvania	21.5	19	22.3	20.8
Rhode Island	19.3	30	19.7	18.9
South Carolina	22.3	14	25.7	19.2
South Dakota	20.4	25	21.6	19.2
Tennessee	22.6	11	23.8	21.5
Texas	18.1	38	20.6	15.6
Utah	9.8	50	10.4	9.2
Vermont	18.0	41	19.4	16.7
Virginia	19.3	30	20.1	18.5
Washington	17.1	46	18.9	15.3
West Virginia	25.7	2	25.4	26.0
Wisconsin	20.8	23	23.4	18.3
Wyoming	21.6	18	23.8	19.4
Median for U.S. States	20.3		22.3	18.6

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

Exhibit 16
Prevalence of Cigarette Smoking and the Tax Rate on Cigarettes

