

MICHIGAN'S CIGARETTE AND TOBACCO TAXES

2008 Statistical Update



Office of Revenue and Tax Analysis
Michigan Department of Treasury
December 2009

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Acknowledgments

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LIST OF EXHIBITS

<u>Exhibit</u>		<u>Page</u>
1	Tobacco Tax Revenues	3
2	Michigan Cigarette Tax Collections	4
3	Michigan Cigarette Tax Revenue as Share of Total State Tax Revenue.....	4
4	Distribution of Tobacco Tax Revenue, Fiscal Year 2008	5
5	Distribution of Tobacco Tax Revenue by Product, Fiscal Years 2001 – 2008	5
6	Cigarette Packs Sold Taxed	6
7	Annual Packs Sold Taxed	7
8	National Cigarette Tax Trends.....	8
9	State Cigarette Tax Rate Trends	9
10	State Comparisons, 2008 Cigarette Tax	10
11	2009 State Cigarette Tax Rates.....	11
12	Taxed Cigarette Consumption Trends	12
13	2008 Cigarette Prices and Sales, Ranking by Tax Rate.....	13
14	Other Tobacco Products Tax Revenue, FY 2008	14
15	Percentage of Adults Currently Smoking Cigarettes, 2008.....	15
16	Prevalence of Cigarette Smoking and the Tax Rate on Cigarettes	16

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.

Tobacco tax revenue totaled \$1,073.7 million in fiscal year (FY) 2008, down \$55.6 million from FY 2007. This represented a 4.9 percent decrease in tobacco tax revenue compared to FY 2007. Tobacco taxes now account for 4.3 percent of all Michigan 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 2008, 39.9 percent of tobacco tax revenue was earmarked to the School Aid Fund and 34.1 percent of revenue was earmarked to the Medicaid health program for low-income residents. Exhibit 4 presents the distribution of FY 2008 revenues by fund. Exhibit 5 highlights the growth in tobacco taxes over the past seven 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 2008 by an estimated 5.5 percent to 519.9 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 33.6 percent since 2001, when the cigarette tax was 75 cents per pack of 20 cigarettes. Per capita sales have also declined to 52.0 packs in 2008, compared to 54.8 packs in 2007 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 \$6.9 billion in the year ending June 2008, down from \$7.3 billion in the preceding year. The decrease in federal tax revenue reflects a 5.2 percent decline in national cigarette consumption, larger than the average decline of 1.9 percent per year from 1980 to 2008.¹ Higher fuel prices, in addition to increased state taxation, may have affected cigarette sales in 2008.

¹ Orzechowski and Walker, *The Tax Burden on Tobacco*, vol.42.

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

Forty-nine states have increased their cigarette tax rate since 1990. In 2009, Michigan had the 10th highest state tax rate in the nation at \$2.00 (tied with Alaska, Arizona, Maine, and Maryland). In all, 13 states and the District of Columbia have tax rates of \$2.00 per pack or higher. 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 29th 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. The decline in taxable sales of cigarettes over the past 10 years in Michigan mirrors a similar decline in taxable sales nationally. 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 20.4 percent in 2008, higher than the median value across the U.S. states of 18.4 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 and 18.0 percent in 2007. 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. The percentage of Michigan students who currently smoke cigarettes is below the national average, and the percentage of students who have ever tried cigarette smoking is very close to the national average.

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 ⁽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	338,859	2.30
1981	11	152,827	6,195,020	13,893	335,662	2.47
1982	11/21	188,003 ⁽³⁾	6,371,191	12,396	396,744	2.95
1983	21	242,068	7,337,434	11,527	496,506	3.30
1984	21	240,957	8,405,736	11,474	477,945	2.87
1985	21	241,037	8,958,027	11,478	461,988	2.69
1986	21	236,489	9,270,805	11,261	446,993	2.55
1987	21	237,382	9,591,731	11,304	435,023	2.47
1988	21/25	264,496 ⁽³⁾	10,285,540	11,021	466,342	2.57
1989	25	267,016	10,850,896	10,681	446,919	2.46
1990	25	255,339	11,062,400	10,214	406,438	2.31
1991	25	259,160	10,865,460	10,366	398,573	2.39
1992	25	246,005	11,267,492	9,840	370,546	2.18
1993	25	243,648	11,891,105	9,746	357,269	2.05
1994	25/75	395,715 ⁽³⁾	14,014,810	8,634	562,520	2.82
1995	75	619,401	17,009,114	8,259	853,239	3.64
1996	75	580,772	18,090,458	7,744	779,567	3.21
1997	75	546,026	18,970,316	7,280	715,109	2.88
1998	75	566,046	20,149,025	7,547	725,091	2.81
1999	75	615,129	21,472,775	8,202	768,254	2.86
2000	75	604,212	22,363,369	8,056	728,399	2.70
2001	75	596,082	21,872,223	7,948	699,644	2.73
2002	75/125	669,914 ⁽³⁾	21,455,308	8,039	766,525	3.12
2003	125	891,775	21,718,157	7,134	1,000,254	4.11
2004	125/200	992,793 ⁽³⁾	22,097,228	6,906	1,096,142	4.49
2005	200	1,179,871	23,121,664	5,899	1,265,826	5.10
2006	200	1,169,005	23,364,924	5,845	1,217,168	5.00
2007	200	1,129,226	23,487,484	5,646	1,155,186	4.81
2008	200	1,073,650	25,143,535	5,368	1,073,650	4.27

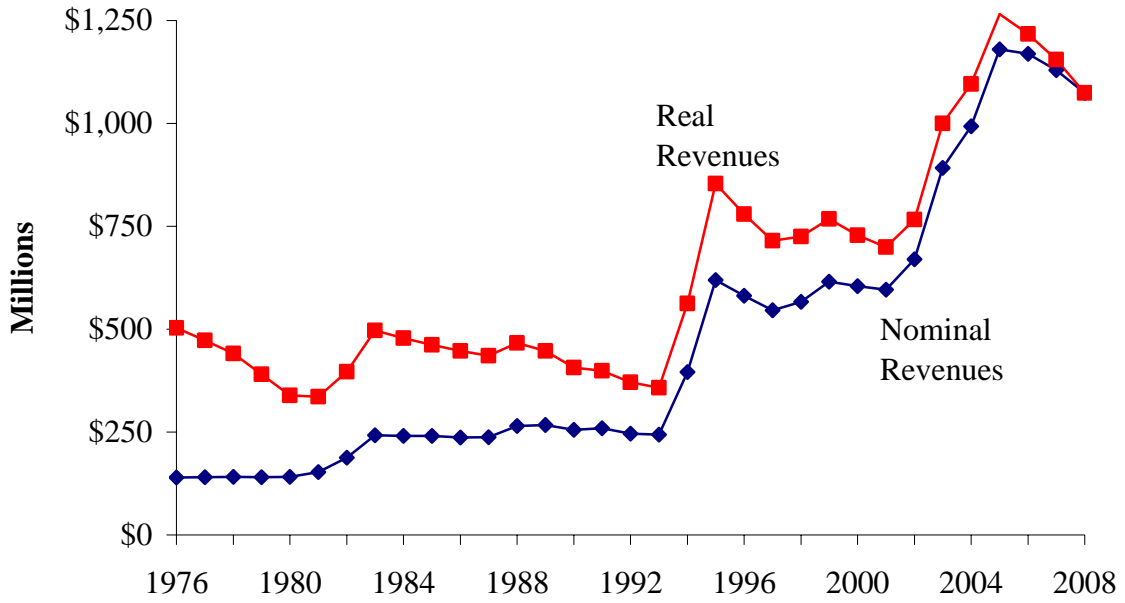
(1) After 1994 figures include tax from other tobacco products.

(2) Adjusted for inflation to 2008 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.

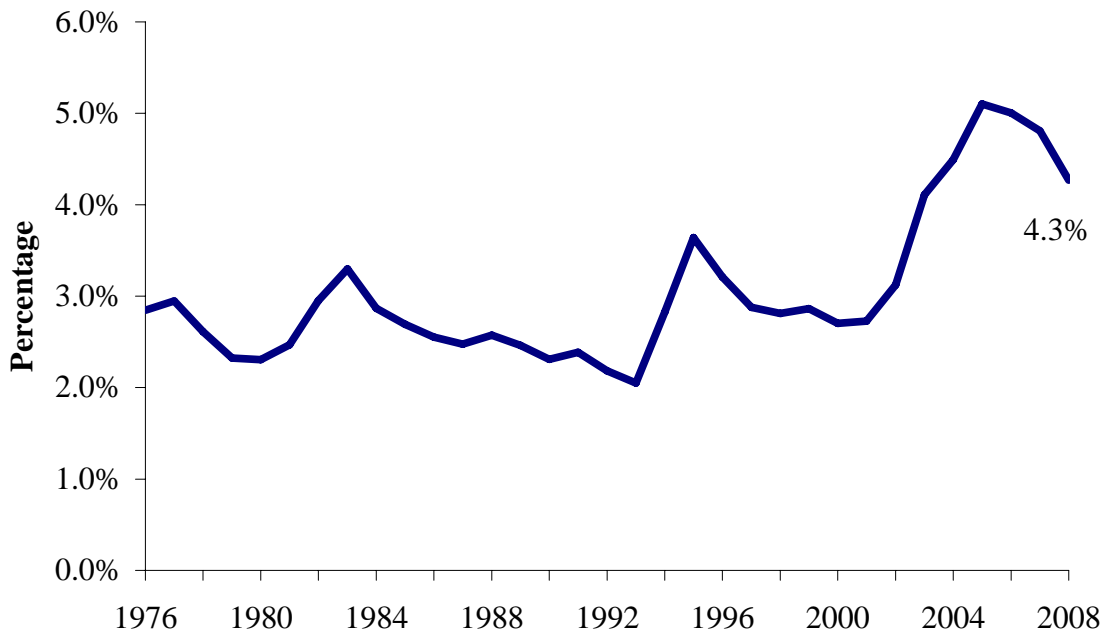
Sources: Michigan Department of Management and Budget and U.S. Bureau of Labor Statistics.

**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 2008

<u>Distribution</u>	<u>FY 2008 Revenue (thousands)</u>	<u>Percent of Revenue</u>
General Fund/General Purpose	\$212,842	19.8%
School Aid Fund	\$424,728	39.6%
Health and Safety Fund	\$25,431	2.4%
Healthy Michigan Fund	\$38,870	3.6%
Medicaid Benefit Trust Fund	\$365,678	34.1%
Wayne County - Indigent Care	\$6,100	0.6%
Total	\$1,073,650	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 – 2008

<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 ⁽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
2007	\$2.00	32%	\$1,084,006	\$45,220	\$1,129,226
2008	\$2.00	32%	\$1,024,124	\$49,526	\$1,073,650

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

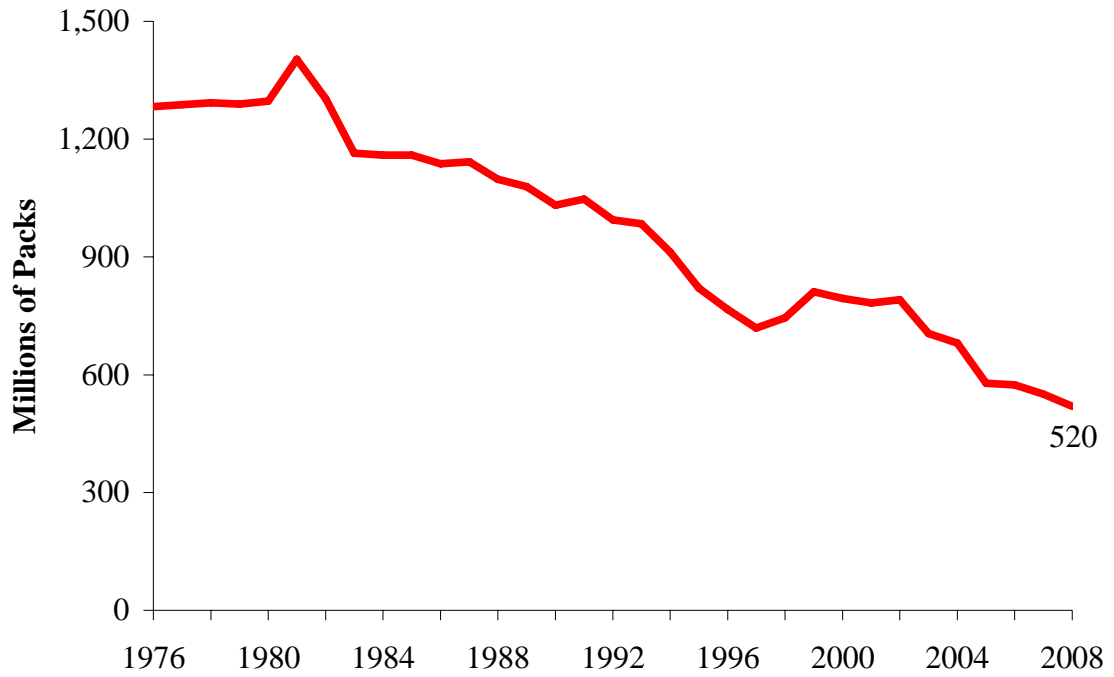
**Exhibit 6
Cigarette Packs Sold Taxed**

Year	Average Retail Price	Percentage Change	Calculated Packs Sold Taxed (000s)	Percentage Change	Calculated Per Capita Packs Sold Taxed	Percentage Change
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	0.8
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	-0.6
2007	5.35	1.1	550,257	-4.2	54.8	-3.8
2008	5.41	1.2	519,860	-5.5	52.0	-5.1
Annual Average Change 1980 - 2007		8.3%		-3.2%		-3.5%

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 Rate 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
Annual Average Change 1980 - 2008		3.5%	-1.9%	

(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 - 2009	
	1980	1990	2009	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	115.0	94.0	447.6
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	300.0	260.0	650.0
Delaware	14.0	14.0	160.0	146.0	1,042.9
Florida	21.0	24.0	133.9	109.9	457.9
Georgia	12.0	12.0	37.0	25.0	208.3
Hawaii	14.0	42.0	260.0	218.0	519.0
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	60.0	57.0	1,900.0
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	200.0	187.0	1,438.5
Massachusetts	21.0	26.0	251.0	225.0	865.4
Michigan	11.0	25.0	200.0	175.0	700.0
Minnesota	18.0	38.0	156.0	118.0	310.5
Mississippi	11.0	18.0	68.0	50.0	277.8
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	178.0	153.0	612.0
New Jersey	19.0	40.0	270.0	230.0	575.0
New Mexico	12.0	15.0	91.0	76.0	506.7
New York	15.0	39.0	275.0	236.0	605.1
North Carolina	2.0	2.0	45.0	43.0	2,150.0
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	160.0	142.0	788.9
Rhode Island	18.0	37.0	346.0	309.0	835.1
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	224.0	207.0	1,217.6
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	252.0	222.0	740.0
Wyoming	8.0	12.0	60.0	48.0	400.0
U.S. Average	12.7	23.0	132.0	109.0	473.3
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 2009 are those in effect on November 1.

Exhibit 10
State Comparisons, 2008 Cigarette Tax

<u>State</u>	<u>Tax Rate</u> <u>(Cents) ⁽¹⁾</u>	<u>Rank</u>	<u>2008 Revenues</u> <u>(Thousands) ⁽²⁾</u>
Alabama	42.5	41	\$153,461
Alaska	200.0	5	64,193
Arizona	200.0	5	397,172
Arkansas	59.0	37	128,865
California	87.0	29	963,072
Colorado	84.0	30	197,765
Connecticut	200.0	5	331,971
Delaware	115.0	23	118,709
Florida	33.9	45	410,913
Georgia	37.0	42	217,616
Hawaii	180.0	11	101,560
Idaho	57.0	38	47,785
Illinois	98.0	27	603,788
Indiana	99.5	26	515,813
Iowa	136.0	19	234,137
Kansas	79.0	32	113,467
Kentucky	30.0	46	179,456
Louisiana	36.0	43	135,855
Maine	200.0	5	145,430
Maryland	200.0	5	343,692
Massachusetts	151.0	16	419,594
Michigan	200.0	5	1,055,969
Minnesota	149.3	17	394,520
Mississippi	18.0	48	49,153
Missouri	17.0	49	100,065
Montana	170.0	14	85,626
Nebraska	64.0	34	71,763
Nevada	80.0	31	130,033
New Hampshire	108.0	24	161,215
New Jersey	257.5	2	764,747
New Mexico	91.0	28	61,027
New York	275.0	1	959,566
North Carolina	35.0	44	233,795
North Dakota	44.0	40	20,871
Ohio	125.0	21	927,901
Oklahoma	103.0	25	225,327
Oregon	118.0	22	222,959
Pennsylvania	135.0	20	1,031,871
Rhode Island	246.0	3	113,504
South Carolina	7.0	50	27,469
South Dakota	153.0	15	60,271
Tennessee	62.0	35	265,813
Texas	141.0	18	1,507,229
Utah	69.5	33	57,540
Vermont	179.0	12	57,330
Virginia	30.0	46	170,273
Washington	202.5	4	421,138
West Virginia	55.0	39	112,409
Wisconsin	177.0	13	460,368
Wyoming	60.0	36	24,786
Average/Total	113.9		\$15,598,852

(1) Rates effective for years ending June 30, 2008.

(2) For year ending June 30, 2008.

Sources: Orzechowski and Walker and Federation of Tax Administrators.

Exhibit 11
2009 State Cigarette Tax Rates (Cents Per Pack)*

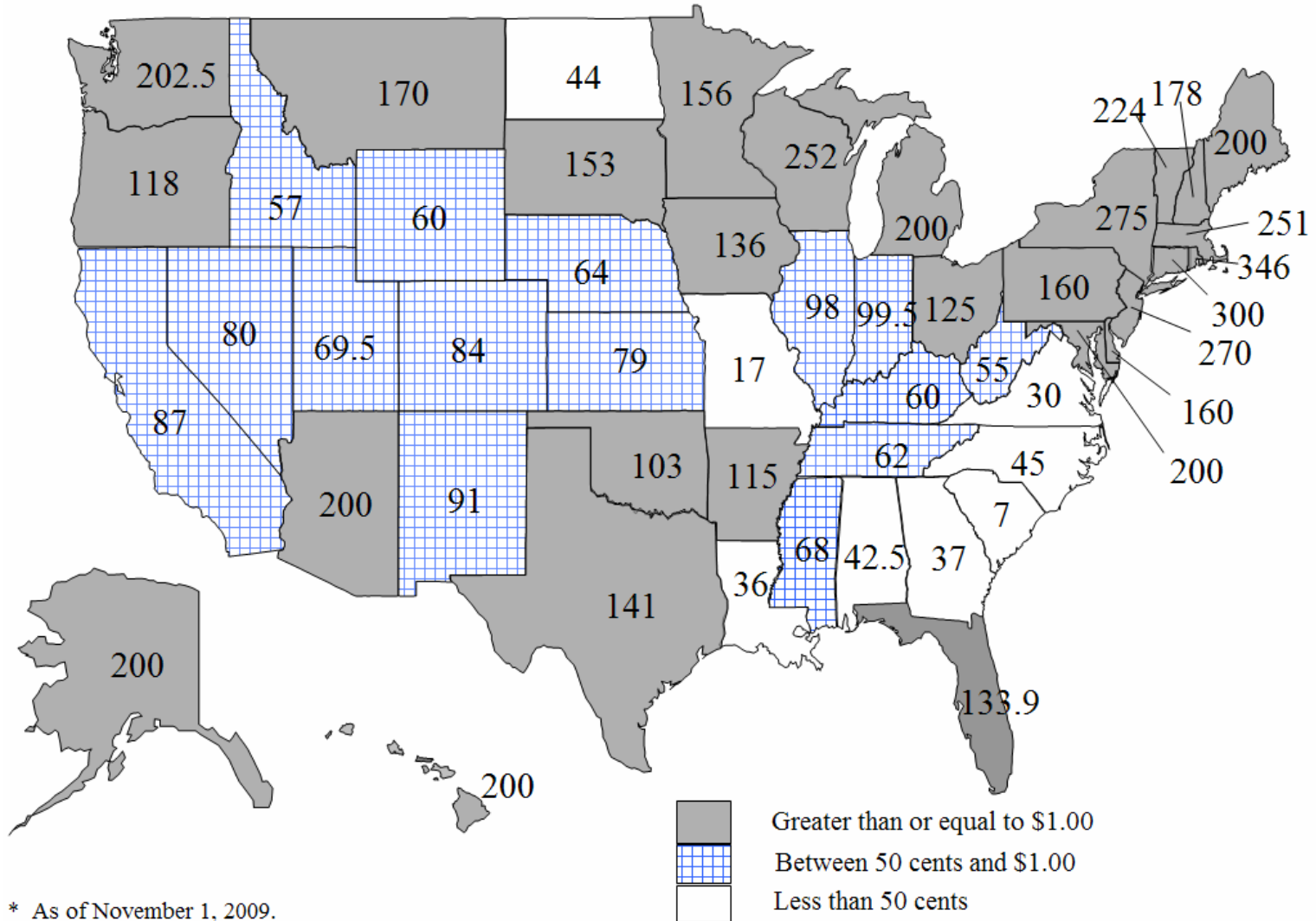


Exhibit 12
Taxed Cigarette Consumption Trends (Millions)

<u>State</u>	<u>1998 Packs Sold Taxed</u>	<u>2008 Packs Sold Taxed</u>	<u>Percent Change</u>
Alabama	453.8	361.1	-20.4
Alaska	47.7	32.1	-32.7
Arizona	292.2	201.3	-31.1
Arkansas	274.9	218.4	-20.6
California	1,668.4	1,107.0	-33.6
Colorado	310.5	235.4	-24.2
Connecticut	247.2	166.0	-32.8
Delaware	96.3	115.3	19.7
Florida	1,320.7	1,238.5	-6.2
Georgia	738.6	588.2	-20.4
Hawaii	42.0	56.5	34.5
Idaho	93.8	83.8	-10.7
Illinois	951.6	616.1	-35.3
Indiana	794.0	518.6	-34.7
Iowa	268.0	172.1	-35.8
Kansas	225.2	143.4	-36.3
Kentucky	665.2	601.9	-9.5
Louisiana	449.1	377.4	-16.0
Maine	117.5	72.7	-38.1
Maryland	365.0	243.0	-33.4
Massachusetts	387.2	277.9	-28.2
Michigan	707.2	528.0	-25.3
Minnesota	387.6	264.8	-31.7
Mississippi	290.7	273.1	-6.1
Missouri	643.4	588.6	-8.5
Montana	78.3	50.3	-35.8
Nebraska	136.4	112.1	-17.8
Nevada	164.2	158.8	-3.3
New Hampshire	201.9	149.3	-26.1
New Jersey	579.8	297.0	-48.8
New Mexico	107.2	67.0	-37.5
New York	1,180.2	607.8	-48.5
North Carolina	922.5	668.0	-27.6
North Dakota	50.9	47.3	-7.1
Ohio	1,188.7	742.3	-37.6
Oklahoma	370.4	313.8	-15.3
Oregon	269.9	188.9	-30.0
Pennsylvania	1,110.8	763.7	-31.2
Rhode Island	87.8	46.1	-47.5
South Carolina	469.5	392.9	-16.3
South Dakota	64.6	39.4	-39.0
Tennessee	636.8	428.0	-32.8
Texas	1,399.3	1,049.9	-25.0
Utah	84.7	82.8	-2.2
Vermont	57.1	32.0	-44.0
Virginia	704.6	567.5	-19.5
Washington	312.2	206.6	-33.8
West Virginia	209.2	204.4	-2.3
Wisconsin	457.9	376.1	-17.9
Wyoming	49.5	41.3	-16.6
Total	22,732.2	16,714.5	-26.5

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

Exhibit 13
2008 Cigarette Prices and Sales

<u>State</u>	<u>2009 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	\$3.75	39	78.0	12
Alaska	2.00	6.69	2	47.0	38
Arizona	2.00	5.47	12	31.8	47
Arkansas	1.15	3.93	34	77.0	13
California	0.87	4.29	24	30.3	50
Colorado	0.84	4.20	27	48.4	35
Connecticut	3.00	5.58	9	47.4	37
Delaware	1.60	4.22	26	133.3	2
Florida	1.34	3.57	44	67.9	18
Georgia	0.37	3.64	43	61.6	23
Hawaii	2.60	5.86	5	44.0	39
Idaho	0.57	3.85	36	55.9	26
Illinois	0.98	4.95	16	47.9	36
Indiana	1.00	4.09	30	81.7	10
Iowa	1.36	4.51	20	57.6	25
Kansas	0.79	4.08	31	51.7	30
Kentucky	0.60	3.48	46	141.9	1
Louisiana	0.36	3.76	38	87.9	8
Maine	2.00	5.61	8	55.2	27
Maryland	2.00	5.53	11	43.3	42
Massachusetts	2.51	6.37	3	43.1	43
Michigan	2.00	5.41	13	52.4	29
Minnesota	1.56	4.81	17	50.9	32
Mississippi	0.68	3.45	48	93.6	6
Missouri	0.17	3.42	49	100.1	5
Montana	1.70	5.01	15	52.6	28
Nebraska	0.64	3.77	37	63.2	21
Nevada	0.80	4.03	33	61.9	22
New Hampshire	1.78	4.42	22	113.5	3
New Jersey	2.70	6.22	4	34.2	44
New Mexico	0.91	4.20	28	34.0	45
New York	2.75	6.73	1	31.5	48
North Carolina	0.45	3.47	47	73.7	15
North Dakota	0.44	3.54	45	74.0	14
Ohio	1.25	4.48	21	64.7	20
Oklahoma	1.03	4.18	29	86.7	9
Oregon	1.18	4.29	25	50.4	33
Pennsylvania	1.60	4.41	23	61.4	24
Rhode Island	3.46	5.80	6	43.6	41
South Carolina	0.07	3.32	50	89.1	7
South Dakota	1.53	4.58	18	49.5	34
Tennessee	0.62	3.75	40	69.5	17
Texas	1.41	4.55	19	43.9	40
Utah	0.70	4.03	32	31.3	49
Vermont	2.24	5.58	10	51.6	31
Virginia	0.30	3.66	42	73.6	16
Washington	2.03	5.69	7	31.9	46
West Virginia	0.55	3.70	41	112.8	4
Wisconsin	2.52	5.03	14	66.7	19
Wyoming	0.60	3.88	35	79.0	11
U.S. Average	\$1.32	\$4.33		64.6	

(1) As of November 1, 2008, and includes generic brands.

(2) Per capita sales are as of June 30, 2008.

Source: Orzechowski and Walker.

Exhibit 14
Other Tobacco Products Tax Revenue, FY 2008

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	\$5,555.6	3.5	1.5 cents/oz.	7.7	0.4
Alaska	9,211.8	12.6	75.0 %	6.9	0.3
Arizona	16,977.6	4.1	22.3 cents/oz.	2.4	0.1
Arkansas	21,999.7	14.6	32.0 %	9.4	1.0
California	73,416.7	7.0	45.1 %	1.1	0.0
Colorado	24,871.4	11.2	40.0 %	4.3	0.0
Connecticut	5,797.0	1.7	20.0 %	0.9	0.0
Delaware	1,806.7	1.5	15.0 %	1.4	0.0
Florida	29,417.0	6.9	25.0 %	1.7	0.1
Georgia	26,931.5	11.0	10.0 %	3.3	0.8
Hawaii	3,034.0	2.9	40.0 %	1.1	0.0
Idaho	7,935.1	14.2	40.0 %	5.4	0.1
Illinois	21,503.1	3.4	18.0 %	1.9	0.1
Indiana	23,067.3	4.3	24.0 %	3.4	0.1
Iowa	21,247.1	8.3	50.0 %	6.0	0.2
Kansas	5,403.3	4.5	10.0 %	7.0	0.1
Kentucky	8,414.9	4.5	7.5 %	7.6	0.4
Louisiana	19,374.7	12.5	20.0 %	4.5	0.7
Maine	6,741.4	4.4	78.0 %	2.7	0.0
Maryland	9,689.0	2.7	15.0 %	1.4	0.0
Massachusetts	14,462.7	3.3	90.0 %	0.5	0.1
Michigan	46,214.6	4.2	32.0 %	3.2	0.0
Minnesota	39,609.8	9.1	70.0 %	4.7	0.1
Mississippi	12,502.2	20.3	15.0 %	8.7	0.4
Missouri	12,210.7	10.9	10.0 %	5.1	0.2
Montana	9,835.3	10.6	50.0 %	8.4	0.6
Nebraska	5,884.2	7.6	20.0 %	7.4	0.1
Nevada	8,840.6	6.7	30.0 %	2.1	0.0
New Hampshire	1,767.8	1.1	19.0 %	1.3	0.0
New Jersey	14,722.8	1.9	30.0 %	0.6	0.0
New Mexico	6,081.7	9.1	25.0 %	5.1	0.2
New York	45,589.7	4.5	37.0 %	1.0	0.1
North Carolina	19,310.9	7.8	10.0 %	5.6	0.9
North Dakota	3,166.7	13.2	16 cents/oz.	7.8	0.3
Ohio	37,591.4	3.9	17.0 %	5.0	0.1
Oklahoma	35,278.7	13.5	60.0 %	9.8	0.3
Oregon	32,755.9	12.8	65.0 %	5.3	0.3
Pennsylvania	NA	NA	NA	5.2	0.0
Rhode Island	2,597.0	2.2	40.0 %	0.6	0.0
South Carolina	4,920.4	15.2	5.0 %	4.1	0.5
South Dakota	5,306.2	8.1	35.0 %	7.9	0.3
Tennessee	11,985.5	4.3	6.6 %	6.5	0.4
Texas	80,390.9	5.1	40.0 %	4.5	0.1
Utah	7,861.1	12.0	35.0 %	4.5	0.1
Vermont	3,180.8	5.4	41.0 %	3.2	0.0
Virginia	15,911.0	8.5	10.0 %	4.2	0.1
Washington	28,204.7	6.3	75.0 %	5.5	0.1
West Virginia	5,080.5	4.5	7.0 %	12.0	0.3
Wisconsin	29,747.1	6.1	50.0 %	4.1	0.1
Wyoming	3,014.9	11.2	20.0 %	13.8	0.8
Total/National	\$886,420.8	5.8		4.5	0.1

(1) When tax rates differ by type, the rate for chewing tobacco is shown. Rates effective January 1, 2009.

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

Exhibit 15
Percentage of Adults Currently Smoking Cigarettes, 2007

<u>State</u>	<u>Overall</u>	<u>Rank</u>	<u>Men</u>	<u>Women</u>
Alabama	22.2	10	25.2	19.4
Alaska	21.7	11	23.9	19.3
Arizona	15.9	44	18.2	13.7
Arkansas	22.4	8	24.4	20.4
California	14.0	49	17.8	10.3
Colorado	17.6	31	19.8	15.5
Connecticut	16.0	43	17.3	14.8
Delaware	17.8	30	20.4	15.4
Florida	17.5	34	18.7	16.4
Georgia	19.5	20	21.7	17.4
Hawaii	15.4	46	18.2	12.7
Idaho	16.9	37	18.4	15.4
Illinois	21.3	13	25.4	17.5
Indiana	26.1	2	28.5	23.9
Iowa	18.8	23	21.0	16.7
Kansas	17.9	29	19.8	16.1
Kentucky	25.3	3	26.3	24.3
Louisiana	20.5	15	23.4	17.7
Maine	18.2	27	21.6	15.0
Maryland	14.9	47	16.1	13.9
Massachusetts	16.1	42	16.9	15.4
Michigan	20.4	16	22.5	18.4
Minnesota	17.6	31	19.3	15.8
Mississippi	22.7	7	25.4	20.3
Missouri	25.0	4	27.3	22.9
Montana	18.5	25	18.7	18.4
Nebraska	18.4	26	20.1	16.8
Nevada	22.3	9	24.5	20.0
New Hampshire	17.0	36	18.1	16.0
New Jersey	14.8	48	17.4	12.4
New Mexico	19.4	21	22.0	16.9
New York	16.8	38	17.9	15.8
North Carolina	20.9	14	23.7	18.3
North Dakota	18.2	27	20.4	15.9
Ohio	20.2	17	21.5	19.0
Oklahoma	24.8	5	26.5	23.1
Oregon	16.3	41	17.4	15.3
Pennsylvania	21.4	12	23.4	19.6
Rhode Island	17.4	35	17.9	16.9
South Carolina	20.1	18	21.6	18.7
South Dakota	17.6	31	19.0	16.2
Tennessee	23.2	6	26.7	20.0
Texas	18.6	24	22.5	14.9
Utah	9.2	50	10.6	7.9
Vermont	16.8	38	18.4	15.2
Virginia	16.5	40	17.1	15.9
Washington	15.7	45	17.0	14.4
West Virginia	26.6	1	26.1	27.1
Wisconsin	19.9	19	21.7	18.2
Wyoming	19.4	21	20.0	18.9
Median for U.S. States	18.4		20.4	16.7

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

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

