

MICHIGAN'S CIGARETTE AND TOBACCO TAXES

2007 Statistical Update



Office of Revenue and Tax Analysis
Michigan Department of Treasury
August 2008

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Acknowledgments

Scott Darragh prepared this statistical update under the direction of Howard Heideman, Director of the Tax Analysis Division, Office of Revenue and Tax Analysis, Michigan Department of Treasury. Diane Burton of the Office of Revenue and Tax Analysis provided editorial and production assistance.

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 2007	5
5	Distribution of Tobacco Tax Revenue by Product, Fiscal Years 2001 – 2007	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, 2007 Cigarette Tax	10
11	2008 State Cigarette Tax Rates.....	11
12	Taxed Cigarette Consumption Trends	12
13	2007 Cigarette Prices and Sales, Ranking by Tax Rate.....	13
14	Other Tobacco Products Tax Revenue, FY 2007	14
15	Percentage of Adults Currently Smoking Cigarettes, 2007.....	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 \$1,129.2 million in fiscal year (FY) 2007, down \$39.9 million from FY 2006. This represented a 3.4 percent decrease in tobacco tax revenues compared to FY 2006. Tobacco taxes now account for 4.8 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 2007, 39.9 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 2007 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 2007 by an estimated 4.2 percent to 550.3 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 29.7 percent since 2001, when the cigarette tax was 75 cents per pack of 20 cigarettes. Per capita sales have also declined to 54.6 packs in 2007, compared to 56.8 packs in 2006 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 \$7.3 billion in the year ending June 2007, down from \$7.5 billion in the preceding year. The decrease in federal tax revenue reflects a 2.2 percent decline in national cigarette consumption, close to the average decline of 1.7 percent per year from 1980 to 2007.¹ Higher fuel prices, in addition to increased state taxation, may have affected cigarette sales in 2007.

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-eight states have increased their cigarette tax rate since 1990. In 2008, Michigan had the 6th highest tax rate in the nation at \$2.00 (tied with Alaska, Arizona, Connecticut, Hawaii, Maine, and Maryland). In all, 12 states representing 23.5 percent of the U.S. population 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 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. 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 21.2 percent in 2007, higher than the median value across the U.S. states of 19.8 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	331,244	2.30
1981	11	152,827	6,195,020	13,893	328,119	2.47
1982	11/21	188,003 ⁽³⁾	6,371,191	12,396	387,829	2.95
1983	21	242,068	7,337,434	11,527	485,349	3.30
1984	21	240,957	8,405,736	11,474	467,204	2.87
1985	21	241,037	8,958,027	11,478	451,606	2.69
1986	21	236,489	9,270,805	11,261	436,948	2.55
1987	21	237,382	9,591,731	11,304	425,247	2.47
1988	21/25	264,496 ⁽³⁾	10,285,540	11,021	455,863	2.57
1989	25	267,016	10,850,896	10,681	436,876	2.46
1990	25	255,339	11,062,400	10,214	397,304	2.31
1991	25	259,160	10,865,460	10,366	389,616	2.39
1992	25	246,005	11,267,492	9,840	362,219	2.18
1993	25	243,648	11,891,105	9,746	349,240	2.05
1994	25/75	395,715 ⁽³⁾	14,014,810	8,634	549,879	2.82
1995	75	619,401	17,009,114	8,259	834,066	3.64
1996	75	580,772	18,090,458	7,744	762,049	3.21
1997	75	546,026	18,970,316	7,280	699,039	2.88
1998	75	566,046	20,149,025	7,547	708,797	2.81
1999	75	615,129	21,472,775	8,202	750,990	2.86
2000	75	604,212	22,363,369	8,056	712,031	2.70
2001	75	596,082	21,872,223	7,948	683,922	2.73
2002	75/125	669,914 ⁽³⁾	21,455,308	8,039	749,300	3.12
2003	125	891,775	21,718,157	7,134	977,776	4.11
2004	125/200	992,793 ⁽³⁾	22,097,228	6,906	1,071,510	4.49
2005	200	1,179,871	23,121,664	5,899	1,237,380	5.10
2006	200	1,169,005	23,364,924	5,845	1,189,816	5.00
2007	200	1,129,226	23,487,484	5,646	1,129,226	4.81

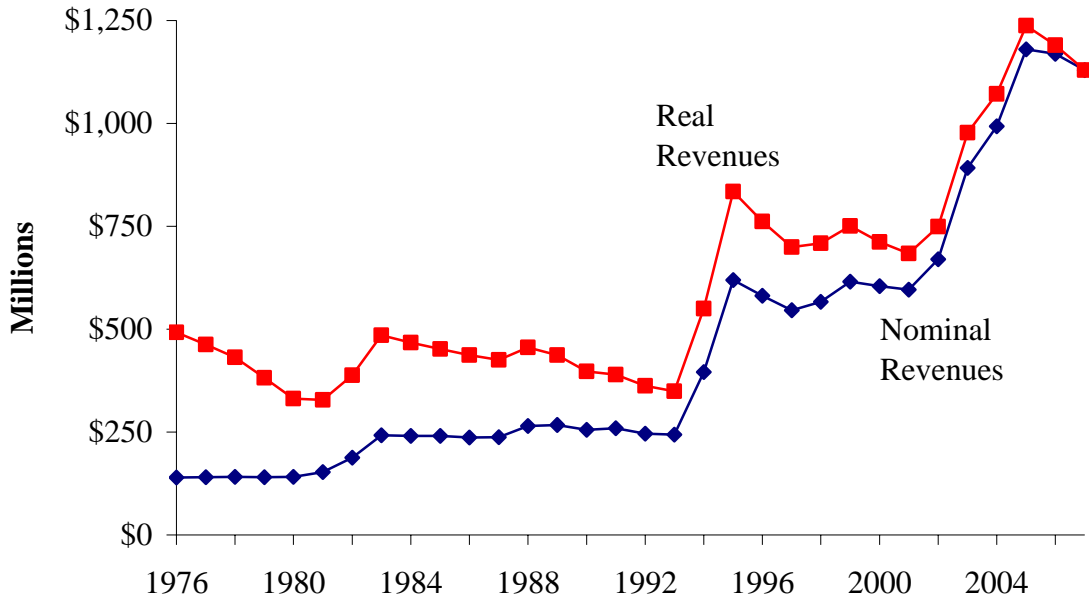
(1) After 1994 figures include tax from other tobacco products.

(2) Adjusted for inflation to 2007 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.

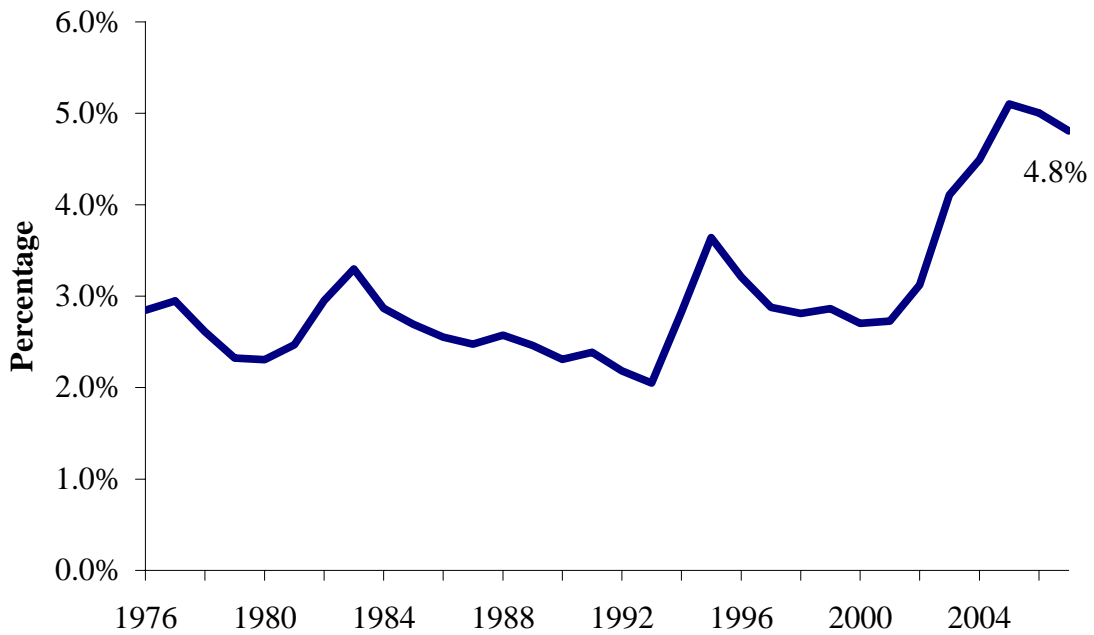
Sources: Michigan Department of Management and Budget and U.S. Bureau of Labor Statistics.

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 2007

<u>Distribution</u>	<u>FY 2007 Revenue (thousands)</u>	<u>Percent of Revenue</u>
General Fund/General Purpose	\$225,389	20.0%
School Aid Fund	\$450,377	39.9%
Health and Safety Fund	\$26,620	2.4%
Healthy Michigan Fund	\$43,259	3.8%
Medicaid Benefit Trust Fund	\$377,482	33.4%
Wayne County - Indigent Care	\$6,100	0.5%
Total	\$1,129,226	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 – 2007

<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

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

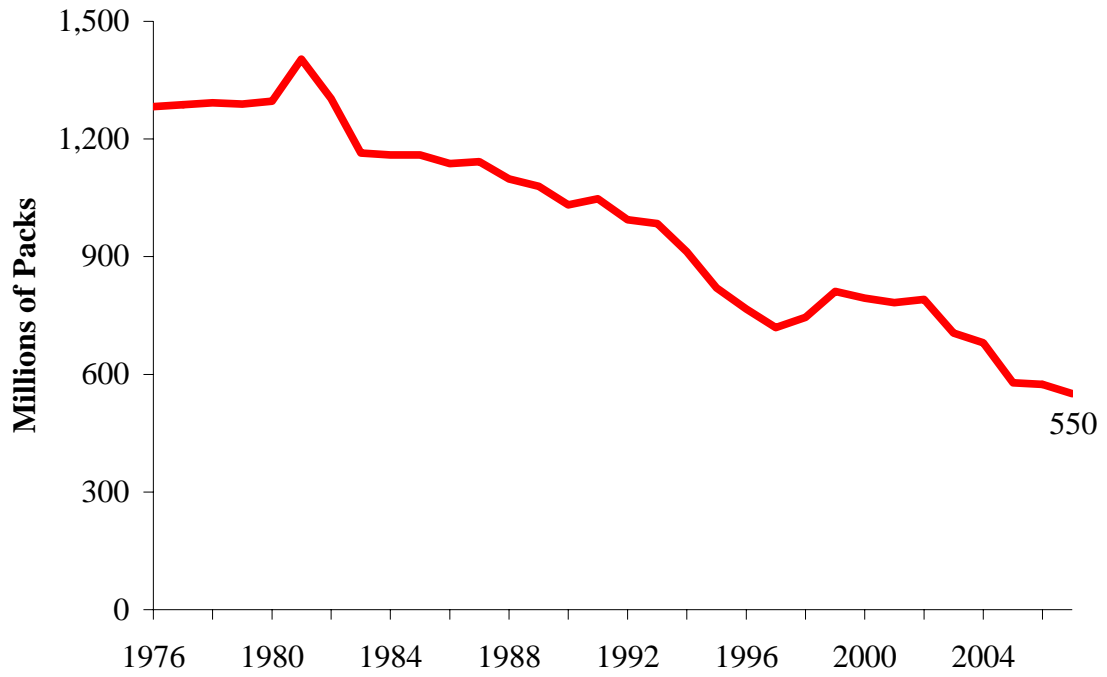
Exhibit 6
Cigarette Packs Sold Taxed

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	0.7
2003	4.33	-0.3	705,293	-10.8	70.0	-11.1
2004	5.09	17.4	680,957	-3.5	67.4	-3.7
2005	5.10	0.3	578,480	-15.0	57.2	-15.1
2006	5.29	3.8	574,189	-0.7	56.8	-0.7
2007	5.35	1.1	550,257	-4.2	54.6	-3.9
Annual Average Change 1980 - 2007		8.3%		-3.1%		-3.4%

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

<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>
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	7,307.4	18,737.1	-2.2
Annual Average Change 1980 - 2007		4.0%	-1.7%	

(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 - 2008	
	1980	1990	2008	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	115.0	101.0	721.4
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	200.0	158.0	376.2
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	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	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	275.0	236.0	605.1
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	199.0	182.0	1,070.6
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	177.0	147.0	490.0
Wyoming	8.0	12.0	60.0	48.0	400.0
U.S. Average	12.7	23.0	116.2	93.2	404.6
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, 2007 Cigarette Tax

<u>State</u>	<u>Tax Rate</u> <u>(Cents) ⁽¹⁾</u>	<u>Rank</u>	<u>2007 Revenues</u> <u>(Thousands) ⁽²⁾</u>
Alabama	42.5	41	\$156,821
Alaska	200.0	6	63,850
Arizona	200.0	6	354,888
Arkansas	59.0	37	127,394
California	87.0	29	1,007,354
Colorado	84.0	30	204,048
Connecticut	200.0	6	264,020
Delaware	115.0	23	88,006
Florida	33.9	45	428,877
Georgia	37.0	42	224,123
Hawaii	200.0	6	88,772
Idaho	57.0	38	48,960
Illinois	98.0	27	611,785
Indiana	99.5	26	358,376
Iowa	136.0	18	124,275
Kansas	79.0	32	116,017
Kentucky	30.0	46	179,100
Louisiana	36.0	43	133,781
Maine	200.0	6	154,737
Maryland	200.0	6	271,026
Massachusetts	251.0	3	418,449
Michigan	200.0	6	1,111,163
Minnesota	123.0	21	408,644
Mississippi	18.0	48	46,500
Missouri	17.0	49	99,969
Montana	170.0	15	84,580
Nebraska	64.0	34	67,967
Nevada	80.0	31	130,840
New Hampshire	108.0	24	138,574
New Jersey	257.5	2	766,474
New Mexico	91.0	28	61,629
New York	275.0	1	936,457
North Carolina	35.0	44	239,668
North Dakota	44.0	40	21,228
Ohio	125.0	20	972,741
Oklahoma	103.0	25	205,250
Oregon	118.0	22	242,178
Pennsylvania	135.0	19	1,021,357
Rhode Island	246.0	4	118,851
South Carolina	7.0	50	27,554
South Dakota	153.0	16	43,185
Tennessee	62.0	35	129,671
Texas	141.0	17	1,024,383
Utah	69.5	33	58,225
Vermont	199.0	13	60,815
Virginia	30.0	46	174,548
Washington	202.5	5	418,814
West Virginia	55.0	39	110,537
Wisconsin	177.0	14	300,945
Wyoming	60.0	36	25,632
Average/Total	116.2		\$14,473,038

(1) Includes tax law changes effective on or before July 1, 2008.

(2) For year ending June 30, 2007.

Sources: Orzechowski and Walker and Federation of Tax Administrators.

Exhibit 11
2008 State Cigarette Tax Rates (Cents Per Pack)*

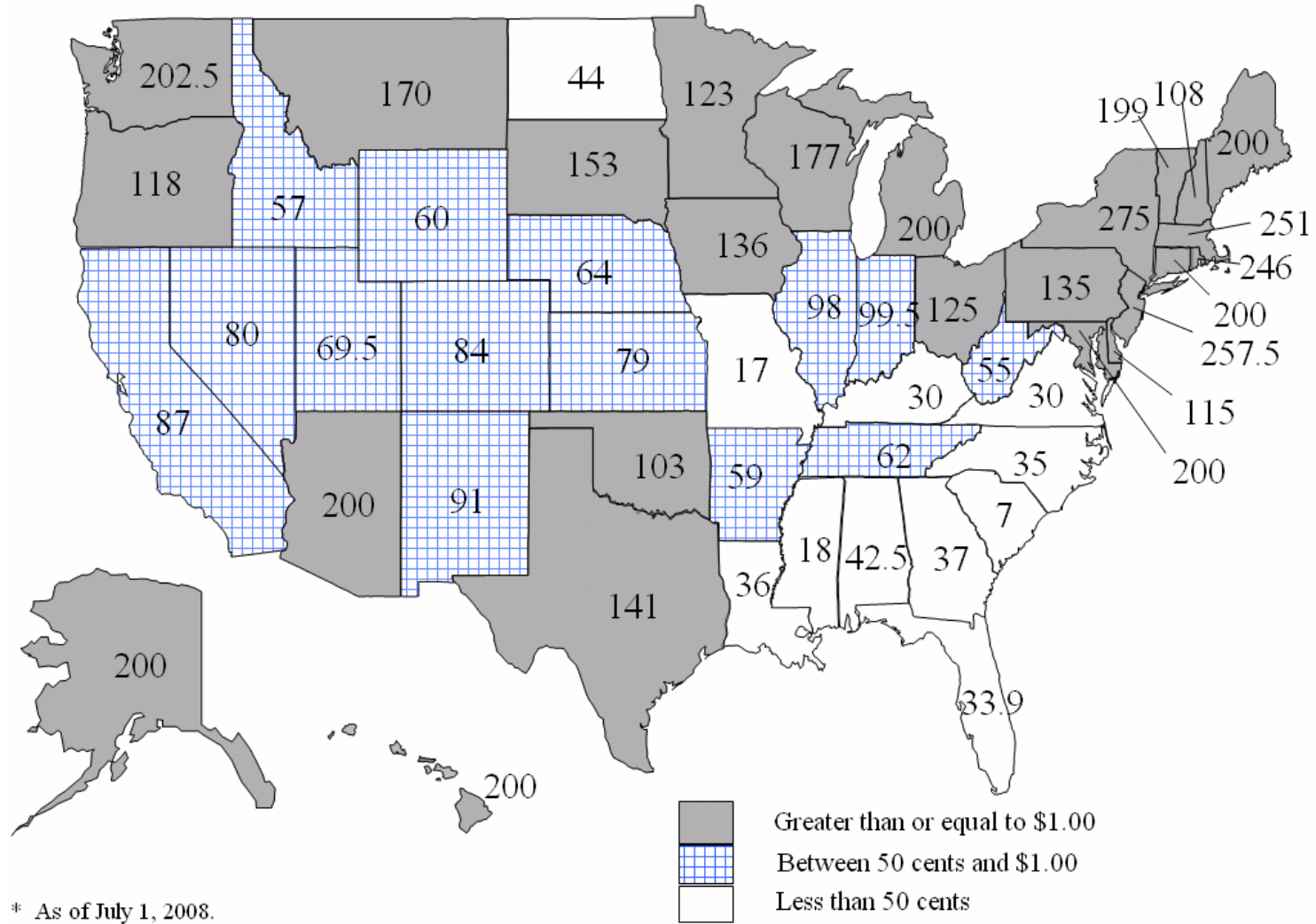


Exhibit 12
Taxed Cigarette Consumption Trends (Millions)

<u>State</u>	<u>1997 Packs Sold Taxed</u>	<u>2007 Packs Sold Taxed</u>	<u>Percent Change</u>
Alabama	448.2	369.0	-17.7
Alaska	49.6	35.5	-28.4
Arizona	286.2	231.1	-19.3
Arkansas	272.9	220.4	-19.2
California	1,716.1	1,157.9	-32.5
Colorado	310.7	242.9	-21.8
Connecticut	248.4	176.9	-28.8
Delaware	90.0	158.1	75.7
Florida	1,339.6	1,265.1	-5.6
Georgia	739.9	605.5	-18.2
Hawaii	58.1	56.1	-3.4
Idaho	89.2	85.9	-3.7
Illinois	942.6	624.2	-33.8
Indiana	790.2	645.7	-18.3
Iowa	267.7	227.6	-15.0
Kansas	229.3	146.6	-36.1
Kentucky	725.6	597.0	-17.7
Louisiana	458.3	371.6	-18.9
Maine	125.7	77.4	-38.4
Maryland	368.7	271.0	-26.5
Massachusetts	406.1	277.1	-31.8
Michigan	724.9	555.6	-23.4
Minnesota	391.6	273.7	-30.1
Mississippi	288.6	258.3	-10.5
Missouri	646.6	588.1	-9.0
Montana	78.1	49.7	-36.4
Nebraska	141.3	106.2	-24.8
Nevada	153.2	163.5	6.7
New Hampshire	202.6	173.1	-14.6
New Jersey	614.8	298.5	-51.4
New Mexico	105.9	67.7	-36.1
New York	1,173.6	622.7	-46.9
North Carolina	919.5	693.7	-24.6
North Dakota	49.9	48.2	-3.4
Ohio	1,213.8	778.2	-35.9
Oklahoma	369.0	307.2	-16.7
Oregon	286.7	205.2	-28.4
Pennsylvania	1,120.1	756.3	-32.5
Rhode Island	89.1	48.3	-45.8
South Carolina	460.6	394.1	-14.4
South Dakota	65.0	45.7	-29.7
Tennessee	632.8	648.4	2.5
Texas	1,389.2	1,159.1	-16.6
Utah	114.0	83.8	-26.5
Vermont	57.5	34.0	-40.9
Virginia	721.2	581.3	-19.4
Washington	307.5	207.1	-32.7
West Virginia	209.1	201.0	-3.9
Wisconsin	474.7	390.8	-17.7
Wyoming	52.3	42.7	-18.4
Total	23,016.3	17,624.8	-23.4

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

Exhibit 13
2007 Cigarette Prices and Sales

<u>State</u>	<u>2008 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	\$3.76	37	80.2	13
Alaska	2.00	6.35	1	52.9	34
Arizona	2.00	5.20	10	37.5	44
Arkansas	0.59	3.82	34	78.4	14
California	0.87	4.20	26	31.8	50
Colorado	0.84	4.21	25	51.1	36
Connecticut	2.00	5.36	8	50.5	37
Delaware	1.15	4.24	24	185.2	1
Florida	0.34	3.61	42	69.9	19
Georgia	0.37	3.66	40	64.7	23
Hawaii	2.00	5.74	4	43.7	42
Idaho	0.57	3.80	35	58.6	26
Illinois	0.98	4.98	13	48.6	39
Indiana	1.00	4.14	27	102.3	6
Iowa	1.36	4.54	16	76.3	16
Kansas	0.79	4.11	28	53.1	32
Kentucky	0.30	3.46	46	141.9	2
Louisiana	0.36	3.61	41	86.7	10
Maine	2.00	5.52	5	58.5	27
Maryland	2.00	4.28	22	48.3	40
Massachusetts	2.51	5.13	11	43.0	43
Michigan	2.00	5.35	9	55.0	30
Minnesota	1.23	4.61	15	53.0	33
Mississippi	0.18	3.44	48	88.8	9
Missouri	0.17	3.36	49	100.6	7
Montana	1.70	4.97	14	52.6	35
Nebraska	0.64	3.76	36	60.1	25
Nevada	0.80	4.03	32	65.5	22
New Hampshire	1.08	4.24	23	131.6	3
New Jersey	2.58	6.09	2	34.2	46
New Mexico	0.91	4.06	31	34.6	45
New York	2.75	5.47	7	32.3	49
North Carolina	0.35	3.45	47	78.3	15
North Dakota	0.44	3.54	45	75.9	18
Ohio	1.25	4.41	18	67.8	21
Oklahoma	1.03	4.10	29	85.8	11
Oregon	1.18	4.29	21	55.5	29
Pennsylvania	1.35	4.40	19	60.8	24
Rhode Island	2.46	5.78	3	45.3	41
South Carolina	0.07	3.26	50	91.2	8
South Dakota	1.53	4.39	20	58.5	27
Tennessee	0.62	3.74	39	107.4	5
Texas	1.41	4.46	17	49.3	38
Utah	0.70	3.89	33	32.9	47
Vermont	1.99	5.10	12	54.5	31
Virginia	0.30	3.60	43	76.1	17
Washington	2.03	5.51	6	32.4	48
West Virginia	0.55	3.57	44	110.5	4
Wisconsin	1.77	4.09	30	69.7	20
Wyoming	0.60	3.74	38	83.0	12
U.S. Average	\$1.16	\$4.20		69.2	

(1) As of November 1, 2007, and includes generic brands.

(2) Per capita sales are as of June 30, 2007.

Source: Orzechowski and Walker.

Exhibit 14
Other Tobacco Products Tax Revenue, FY 2007

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	\$5,705.7	3.5	1.5 cents/oz. ⁽¹⁾	7.8	0.9
Alaska	8,457.1	11.7	75.0 %	5.3	0.5
Arizona	12,560.3	3.4	22.3 cents/oz. ⁽¹⁾	2.1	0.1
Arkansas	20,525.6	13.9	32.0 %	8.4	0.6
California	70,650.0	6.7	45.1 %	1.0	0.0
Colorado	25,573.5	11.1	40.0 %	3.8	0.1
Connecticut	5,101.6	2.0	20.0 %	1.1	0.0
Delaware	1,518.2	1.7	15.0 %	1.2	0.1
Florida	29,734.3	6.6	25.0 %	1.5	0.1
Georgia	26,464.8	10.6	10.0 %	4.8	0.9
Hawaii	5,587.8	5.9	40.0 %	0.6	0.0
Idaho	7,464.9	13.2	40.0 %	5.8	0.1
Illinois	20,974.4	3.3	18.0 %	2.1	0.1
Indiana	17,834.0	4.7	24.0 %	3.0	0.0
Iowa	12,107.6	8.9	50.0 %	4.0	0.0
Kansas	5,167.7	4.3	10.0 %	7.8	0.2
Kentucky	7,854.7	4.2	7.5 %	7.9	0.0
Louisiana	18,068.4	11.9	20.0 %	4.0	0.2
Maine	5,996.3	3.7	78.0 %	2.0	0.1
Maryland	9,024.6	3.2	15.0 %	1.1	0.0
Massachusetts	13,809.3	3.2	90.0 %	0.6	0.0
Michigan	42,578.8	3.7	32.0 %	2.3	0.0
Minnesota	37,272.4	8.4	70.0 %	4.7	0.1
Mississippi	12,037.2	20.6	15.0 %	10.1	0.8
Missouri	11,906.4	10.6	10.0 %	5.1	0.2
Montana	9,773.8	10.7	50.0 %	10.3	0.2
Nebraska	5,817.9	7.9	20.0 %	7.1	0.2
Nevada	8,841.8	6.3	30.0 %	2.3	0.2
New Hampshire	1,627.4	1.1	19.0 %	0.6	0.0
New Jersey	11,911.1	1.5	30.0 %	0.8	0.0
New Mexico	5,235.7	7.8	25.0 %	3.7	0.1
New York	45,910.8	4.7	37.0 %	1.1	0.1
North Carolina	6,895.6	2.8	10.0 %	4.2	1.0
North Dakota	2,864.7	11.9	16 cents/oz. ⁽¹⁾	6.5	0.2
Ohio	31,003.9	3.2	17.0 %	4.9	0.0
Oklahoma	31,039.8	13.1	60.0 %	6.9	0.2
Oregon	30,936.1	11.5	65.0 %	4.3	0.2
Pennsylvania	NA	NA	NA	4.4	0.1
Rhode Island	2,500.1	2.1	40.0 %	0.5	0.0
South Carolina	5,318.1	16.2	5.0 %	3.7	0.5
South Dakota	2,662.9	5.8	35.0 %	6.5	0.4
Tennessee	8,244.2	6.0	6.6 %	7.0	0.5
Texas	76,639.1	7.0	40.0 %	4.6	0.2
Utah	7,429.6	11.3	35.0 %	2.4	0.1
Vermont	3,077.4	4.8	41.0 %	3.6	0.0
Virginia	14,928.0	7.9	10.0 %	2.7	0.1
Washington	21,450.0	4.9	75.0 %	4.3	0.0
West Virginia	4,764.1	4.3	7.0 %	11.4	0.6
Wisconsin	17,515.2	5.5	50.0 %	4.3	0.1
Wyoming	2,829.5	10.3	20.0 %	11.8	0.3
Total/National	\$793,192.1	5.6		4.1	0.1

(1) When tax rates differ by type, the rate for chewing tobacco is shown. Rates effective January 1, 2008.

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	22.5	11	25.7	19.7
Alaska	22.2	13	24.6	19.7
Arizona	19.8	24	23.4	16.3
Arkansas	22.4	12	24.8	20.2
California	14.3	49	18.1	10.6
Colorado	18.7	36	19.7	17.7
Connecticut	15.5	48	16.6	14.5
Delaware	19.0	34	17.6	20.3
Florida	19.3	31	21.3	17.5
Georgia	19.3	31	21.2	17.5
Hawaii	17.0	42	19.8	14.3
Idaho	19.2	33	20.9	17.4
Illinois	20.2	21	22.1	18.4
Indiana	24.1	6	25.9	22.4
Iowa	19.8	24	21.4	18.3
Kansas	17.9	38	18.7	17.1
Kentucky	28.3	1	28.8	27.8
Louisiana	22.6	10	26.4	19.1
Maine	20.1	22	21.0	19.3
Maryland	17.1	41	18.4	16.0
Massachusetts	16.4	47	17.4	15.5
Michigan	21.2	17	23.5	19.0
Minnesota	16.5	46	18.3	14.7
Mississippi	24.0	7	27.8	20.5
Missouri	24.6	4	26.0	23.3
Montana	19.5	28	19.8	19.3
Nebraska	19.9	23	23.2	16.8
Nevada	21.5	16	23.4	19.6
New Hampshire	19.4	29	20.2	18.6
New Jersey	17.2	40	19.4	15.2
New Mexico	20.8	20	23.6	18.1
New York	18.9	35	21.6	16.5
North Carolina	22.9	9	25.3	20.7
North Dakota	21.0	18	22.2	19.8
Ohio	23.1	8	24.2	22.1
Oklahoma	25.8	3	28.0	23.8
Oregon	16.9	44	18.9	14.9
Pennsylvania	20.9	19	20.7	21.1
Rhode Island	17.0	42	17.8	16.3
South Carolina	21.9	15	25.3	18.8
South Dakota	19.8	24	20.1	19.5
Tennessee	24.3	5	25.7	22.9
Texas	19.4	29	22.0	16.9
Utah	11.7	50	15.5	8.0
Vermont	17.6	39	19.5	15.9
Virginia	18.6	37	20.3	16.9
Washington	16.8	45	18.0	15.7
West Virginia	27.0	2	28.6	25.5
Wisconsin	19.6	27	19.6	19.5
Wyoming	22.1	14	22.8	21.4
Median for U.S. States	19.8		21.4	18.5

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

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

