

# MICHIGAN'S CIGARETTE AND TOBACCO TAXES

## 2012 Statistical Update



Office of Revenue and Tax Analysis  
Michigan Department of Treasury  
August 2013

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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. Mindy Parshall assisted with the production of this report.

## 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 2012.....	5
5	Distribution of Tobacco Tax Revenue by Product, Fiscal Years 2001 – 2012.....	6
6	Cigarette Packs Sold Taxed.....	7
7	Annual Packs Sold Taxed.....	8
8	National Cigarette Tax Trends.....	9
9	State Cigarette Tax Rate Trends.....	10
10	State Comparisons, 2011 Cigarette Tax.....	11
11	2012 State Cigarette Tax Rates.....	12
12	Taxed Cigarette Consumption Trends.....	13
13	2012 Cigarette Prices and Sales, Ranking by Tax Rate.....	14
14	Other Tobacco Products Tax Revenue, FY 2012.....	15
15	Percentage of Adults Currently Smoking Cigarettes, 2010.....	16
16	Prevalence of Cigarette Smoking and the Tax Rate on Cigarettes.....	17

## 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 \$963.2 million in fiscal year (FY) 2012, down \$5.3 million from FY 2011. This represented a 0.6 percent decrease in tobacco tax revenue compared to FY 2011. Tobacco taxes now account for 4.09 percent of all Michigan taxes, with the lower share in FY 2012 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 2012, 38.8 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 2012 revenues by fund. Exhibit 5 highlights the decline 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 continued to decline in recent years. Taxable cigarette sales decreased in FY 2012 by an estimated 1.0 percent to 456.1 million packs, a smaller decline than the historic trend decline of 3.2 percent. Taxable cigarette sales are down 41.7 percent since 2001. Per capita sales have also declined to 46.1 packs in 2012, compared to 46.6 packs in 2011 and 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 were subject to the tax on tobacco products. 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: [www.michigan.gov/taxes/0,1607,7-238-43542\\_43548---,00.html](http://www.michigan.gov/taxes/0,1607,7-238-43542_43548---,00.html).

The federal cigarette tax raised \$14.5 billion in the year ending June 2012, down from \$15.1 billion in the preceding year. The decline in tax revenue reflected a 4.2 percent decline in national cigarette consumption, larger than the average decline of 2.3 percent per year from 1980 to 2011.<sup>1</sup> Exhibit 8 provides historical information on federal tax collections and national cigarette consumption.

Only three states (California, Missouri, and North Dakota) have not increased their cigarette tax rate since 2000 with an average tax increase of more than \$1. In 2012, Michigan had the 10<sup>th</sup> highest state tax rate in the nation at \$2.00 (tied with Alaska, Arizona, Maine, and Maryland).

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<sup>1</sup> Orzechowski and Walker, *The Tax Burden on Tobacco*, vol.42.

The District of Columbia and 14 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 24<sup>th</sup> 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.

Michigan's tax on 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 and this difference has increased the sales of certain types of OTP such as little cigars and roll-your-own smoking tobacco. 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 18.9 percent in 2010, higher than the median value across the U.S. states of 17.4 percent. However, the prevalence of smoking in Michigan declined by 1.5 percentage points overall from 2008 to 2010. 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, increasing somewhat to 18.8 percent in 2009, and then dropping to 14.0 percent in 2011. The decline in Michigan is similar to the decline seen in many other states. Michigan was one of 14 states participating in the Youth Risk Behavior Surveillance System survey that had a smoking prevalence among youth of at least 30.0 percent in 1997 and a prevalence of less than 20.0 percent in 2011. The significant price increase following the federal tax increase in 2009 likely contributed to the decline in youth smoking between 2009 and 2011. The measured prevalence of smoking among adults fell from 26.1 percent in 2001 to 18.9 percent in 2010, a decline of 27.6 percent. Survey data for 2011 and 2012 indicate the prevalence of smoking among Michigan adults, 23.3 percent, is 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 does mean the results for 2011 and 2012 are not comparable to estimates from previous years.

More reports on Michigan's tobacco taxes are available on the Department of Treasury's website at [www.michigan.gov/treasury](http://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)

<b>Fiscal Year</b>	<b>Rate (Cents)</b>	<b>Nominal Tobacco Tax Revenue <sup>(1)</sup></b>	<b>Total Tax Revenue</b>	<b>Revenue Per Penny of Tax</b>	<b>Inflation-Adjusted Revenue <sup>(2)</sup></b>	<b>Tax as Percent of Total Taxes</b>
1980	11	\$141,205	\$6,126,400	\$12,837	\$368,972	2.30
1981	11	152,827	6,195,020	13,893	356,849	2.47
1982	11/21	188,003 <sup>(3)</sup>	6,371,191	12,396	422,029	2.95
1983	21	242,068	7,337,434	11,527	523,714	3.30
1984	21	240,957	8,405,736	11,474	506,038	2.87
1985	21	241,037	8,958,027	11,478	489,938	2.69
1986	21	236,489	9,270,805	11,261	470,467	2.55
1987	21	237,382	9,591,731	11,304	461,152	2.47
1988	21/25	264,496 <sup>(3)</sup>	10,285,540	11,021	495,474	2.57
1989	25	267,016	10,850,896	10,681	475,744	2.46
1990	25	255,339	11,062,400	10,214	433,053	2.31
1991	25	259,160	10,865,460	10,366	420,943	2.39
1992	25	246,005	11,267,492	9,840	391,590	2.18
1993	25	243,648	11,891,105	9,746	378,045	2.05
1994	25/75	395,715 <sup>(3)</sup>	14,014,810	8,634	595,516	2.82
1995	75	619,401	17,009,114	8,259	903,074	3.64
1996	75	580,772	18,090,458	7,744	824,397	3.21
1997	75	546,026	18,970,316	7,280	755,624	2.88
1998	75	566,046	20,149,025	7,547	766,075	2.81
1999	75	615,129	21,472,775	8,202	812,560	2.86
2000	75	604,212	22,363,369	8,056	772,056	2.70
2001	75	596,082	21,872,223	7,948	737,564	2.73
2002	75/125	669,914 <sup>(3)</sup>	21,455,308	8,039	811,641	3.12
2003	125	891,775	21,718,157	7,134	1,053,725	4.11
2004	125/200	992,793 <sup>(3)</sup>	22,097,228	6,906	1,157,821	4.49
2005	200	1,179,871	23,121,664	5,899	1,342,506	5.10
2006	200	1,169,005	23,364,924	5,845	1,283,291	5.00
2007	200	1,129,226	23,487,484	5,646	1,220,277	4.81
2008	200	1,073,650	25,143,535	5,368	1,128,520	4.27
2009	200	1,041,541	22,384,854	5,208	1,104,590	4.65
2010	200	1,006,527	21,823,324	5,033	1,057,537	4.61
2011	200	968,512	23,414,436	4,843	991,897	4.14
2012	200	963,181	23,538,616	4,816	963,181	4.09

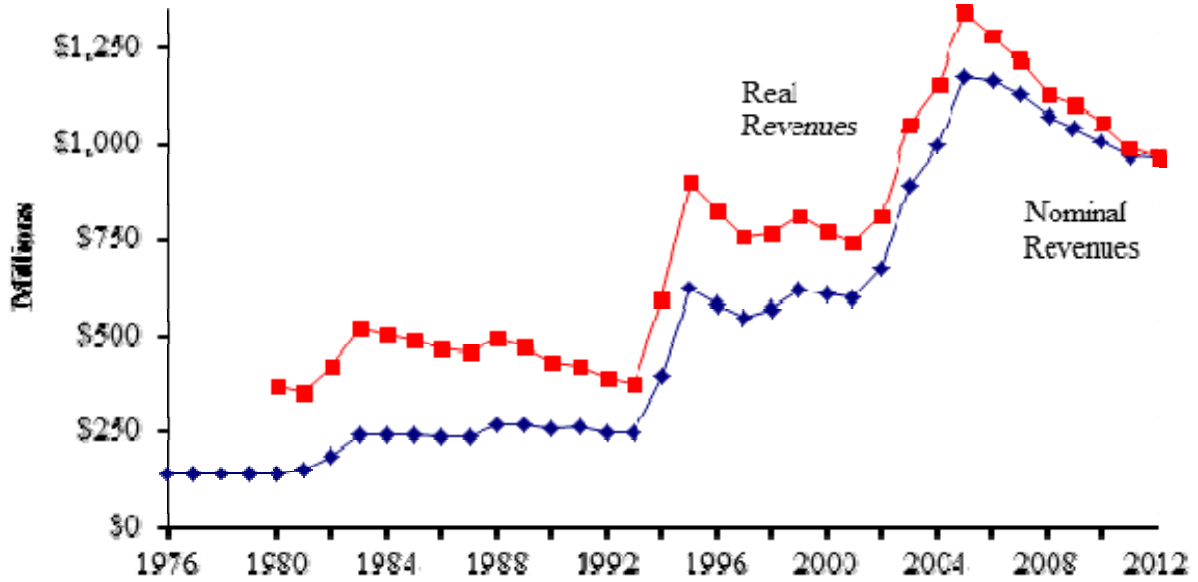
(1) After 1994 figures include tax from other tobacco products.

(2) Adjusted for inflation to 2012 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.

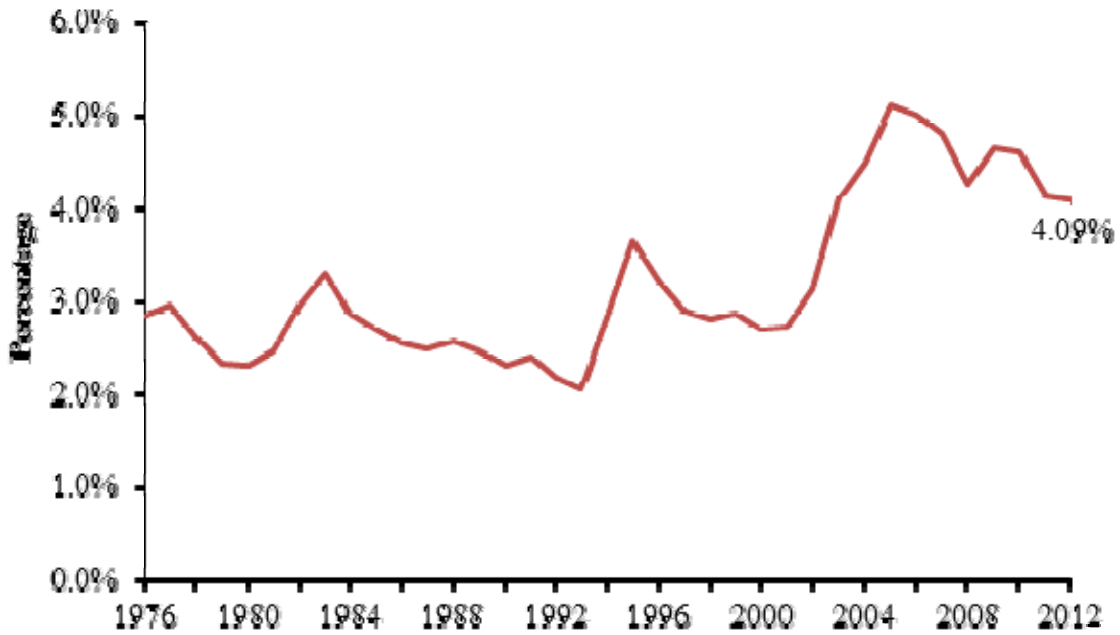
Sources: Michigan Department of Technology, Management & Budget and U.S. Bureau of Labor Statistics.

**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 2012**

<b><u>Distribution</u></b>	<b><u>FY 2012 Revenue (thousands)</u></b>	<b><u>Percent of Revenue</u></b>
General Fund/General Purpose	\$192,620	20.0%
School Aid Fund	\$373,977	38.8%
Health and Safety Fund	\$22,997	2.4%
Healthy Michigan Fund	\$33,686	3.5%
Medicaid Benefit Trust Fund	\$334,915	34.8%
Wayne County - Indigent Care	<u>\$4,986</u>	<u>0.5%</u>
<b>Total</b>	<b>\$963,181</b>	<b>100.0%</b>

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 – 2012**

<u>Year</u>	<u>Tax Rate</u>		<u>Tax Revenue (thousands)</u>		
	<u>Cigarette</u> <sup>(1)</sup>	<u>OTP</u> <sup>(2)</sup>	<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

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

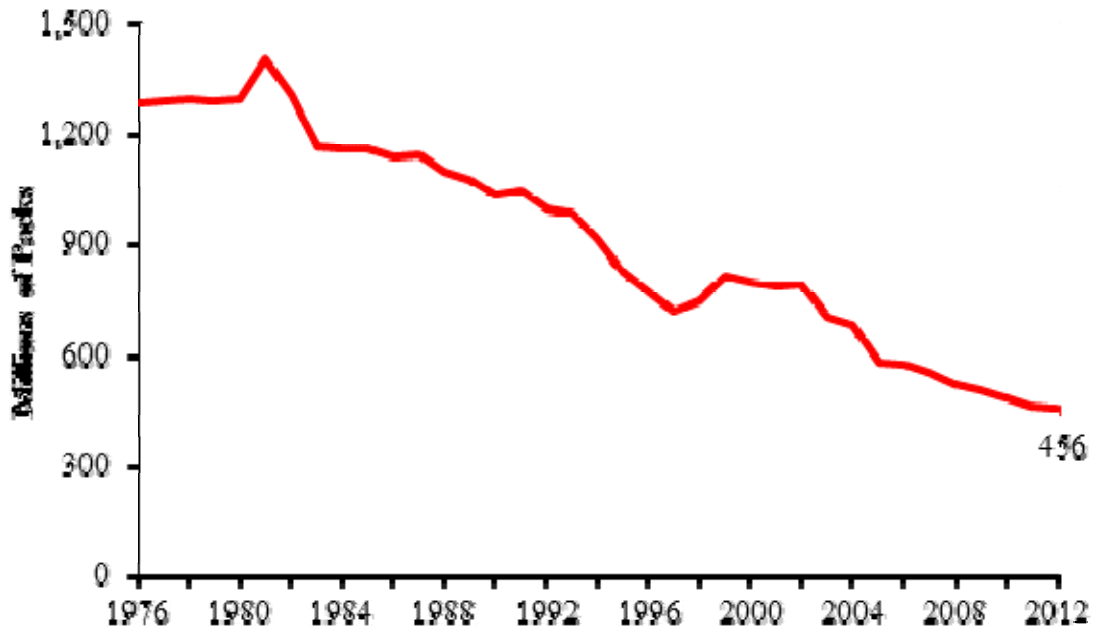
**Exhibit 6**  
**Cigarette Packs Sold Taxed**

<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
<b>Annual Average Change 1980 - 2012</b>		7.6%		-3.2%		-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 Per Pack (Cents)</u>	<u>Federal Revenues (Millions) <sup>(1)</sup></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 <sup>(2)</sup>	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 <sup>(2)</sup>	4,754.6	25,376.5	-0.2
1992	20.0	5,043.0	25,215.7	-0.6
1993	20.0/24.0 <sup>(2)</sup>	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 <sup>(2)</sup>	6,230.3	21,325.0	-1.4
2001	34.0	7,080.5	21,250.0	-0.4
2002	39.0 <sup>(2)</sup>	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

**Annual Average Change  
1980 - 2012**

5.5%                      -2.3%

(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 - 2013	
	1990	2000	2013	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	79.0	55.0	229.2
Kentucky	3.0	3.0	60.0	57.0	1,900.0
Louisiana	20.0	20.0	36.0	16.0	80.0
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
<b>Michigan</b>	<b>25.0</b>	<b>75.0</b>	<b>200.0</b>	<b>125.0</b>	<b>166.7</b>
Minnesota	38.0	48.0	283.0	235.0	489.6
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	80.0	45.0	128.6
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	125.0	101.0	420.8
Oklahoma	23.0	23.0	103.0	80.0	347.8
Oregon	28.0	68.0	118.0	50.0	73.5
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	262.0	218.0	495.5
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
<b>U.S. Average</b>	<b>23.0</b>	<b>41.4</b>	<b>151.1</b>	<b>109.7</b>	<b>264.9</b>
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 2013 are those in effect on August 1.

**Exhibit 10**  
**State Comparisons, 2012 Cigarette Tax**

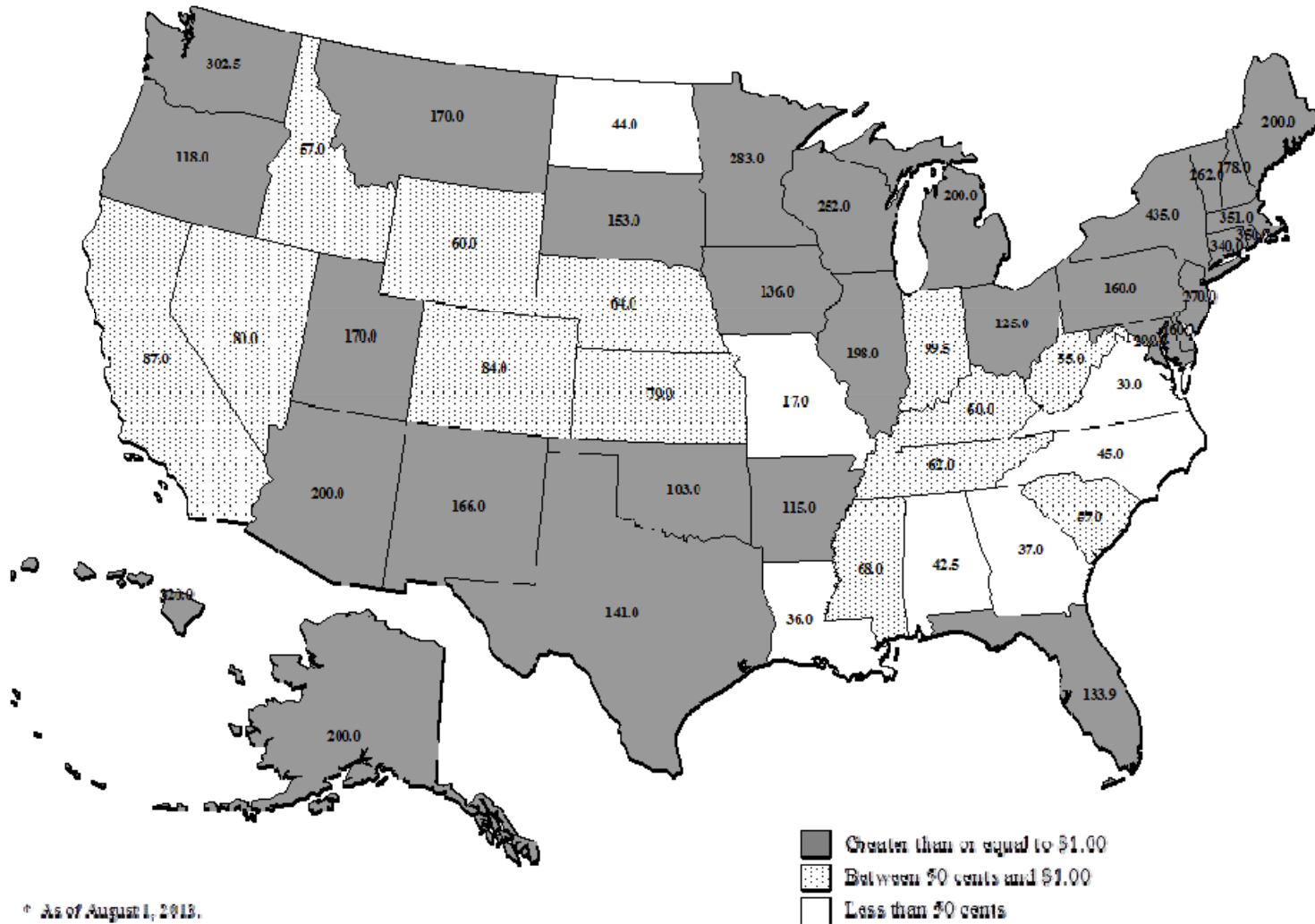
<u>State</u>	<u>Tax Rate (Cents) <sup>(1)</sup></u>	<u>Rank</u>	<u>2012 Revenues (Thousands) <sup>(2)</sup></u>
Alabama	42.5	46	\$137,208
Alaska	200.0	10	59,587
Arizona	200.0	10	322,217
Arkansas	115.0	28	199,655
California	87.0	32	827,497
Colorado	84.0	33	174,468
Connecticut	340.0	3	410,490
Delaware	160.0	19	122,962
Florida	133.9	25	1,171,575
Georgia	37.0	47	192,791
Hawaii	320.0	4	130,995
Idaho	57.0	41	39,327
Illinois	98.0	31	588,935
Indiana	99.5	30	428,081
Iowa	136.0	24	202,808
Kansas	79.0	35	97,502
Kentucky	60.0	39	262,353
Louisiana	36.0	48	118,425
Maine	200.0	10	131,373
Maryland	200.0	10	401,550
Massachusetts	251.0	9	553,407
<b>Michigan</b>	<b>200.0</b>	<b>10</b>	<b>922,371</b>
Minnesota	160.0	19	322,517
Mississippi	68.0	36	134,744
Missouri	17.0	50	91,350
Montana	170.0	15	77,266
Nebraska	64.0	37	61,949
Nevada	80.0	34	95,094
New Hampshire	168.0	17	207,918
New Jersey	270.0	6	753,265
New Mexico	166.0	18	92,329
New York	435.0	1	1,531,170
North Carolina	45.0	44	263,600
North Dakota	44.0	45	22,420
Ohio	125.0	26	804,236
Oklahoma	103.0	29	245,664
Oregon	118.0	27	204,179
Pennsylvania	160.0	19	1,122,129
Rhode Island	346.0	2	130,103
South Carolina	57.0	41	164,019
South Dakota	153.0	22	53,980
Tennessee	62.0	38	271,049
Texas	141.0	23	1,330,330
Utah	170.0	15	110,249
Vermont	262.0	7	73,270
Virginia	30.0	49	175,754
Washington	302.5	5	425,647
West Virginia	55.0	43	107,152
Wisconsin	252.0	8	591,895
Wyoming	60.0	39	20,917
<b>Average/Total</b>	<b>144.4</b>		<b>\$16,979,772</b>

(1) Rates effective for years ending June 30, 2012. Rate for Minnesota includes cigarette sales tax.

(2) For year ending June 30, 2012.

Sources: Orzechowski and Walker and Federation of Tax Administrators.

**Exhibit 11**  
**2013 Cigarette Tax Rates (Cents Per Pack)\***



**Exhibit 12**  
**Taxed Cigarette Consumption Trends (Millions)**

<b>State</b>	<b>2000 Packs Sold Taxed</b>	<b>2012 Packs Sold Taxed</b>	<b>Percent Change</b>
Alabama	428.3	322.8	-24.6
Alaska	43.1	29.8	-30.9
Arizona	280.7	162.1	-42.3
Arkansas	261.6	177.7	-32.1
California	1,352.7	951.0	-29.7
Colorado	304.1	207.7	-31.7
Connecticut	234.4	120.1	-48.8
Delaware	108.0	77.0	-28.7
Florida	1,256.9	875.0	-30.4
Georgia	705.6	520.8	-26.2
Hawaii	40.0	40.9	2.3
Idaho	90.2	69.0	-23.5
Illinois	843.0	598.2	-29.0
Indiana	758.7	430.2	-43.3
Iowa	257.8	148.9	-42.2
Kansas	213.0	123.4	-42.1
Kentucky	624.1	437.3	-29.9
Louisiana	461.5	329.4	-28.6
Maine	104.4	64.9	-37.8
Maryland	304.2	200.8	-34.0
Massachusetts	361.1	220.5	-38.9
<b>Michigan</b>	<b>809.7</b>	<b>461.2</b>	<b>-43.0</b>
Minnesota	367.1	202.4	-44.9
Mississippi	273.6	198.2	-27.6
Missouri	630.4	537.4	-14.8
Montana	71.8	45.5	-36.6
Nebraska	132.2	96.8	-26.8
Nevada	174.3	117.5	-32.6
New Hampshire	180.4	123.8	-31.4
New Jersey	491.5	279.0	-43.2
New Mexico	100.0	55.6	-44.4
New York	1,048.7	351.1	-66.5
North Carolina	847.6	585.8	-30.9
North Dakota	48.0	51.0	6.3
Ohio	1,130.3	643.4	-43.1
Oklahoma	367.4	270.4	-26.4
Oregon	244.6	173.0	-29.3
Pennsylvania	1,072.6	701.3	-34.6
Rhode Island	82.9	37.6	-54.6
South Carolina	401.0	289.7	-27.8
South Dakota	58.3	35.3	-39.5
Tennessee	615.2	437.2	-28.9
Texas	1,394.6	943.5	-32.3
Utah	89.8	64.8	-27.8
Vermont	54.8	28.6	-47.8
Virginia	676.7	585.9	-13.4
Washington	309.2	138.7	-55.1
West Virginia	198.6	194.8	-1.9
Wisconsin	426.5	234.9	-44.9
Wyoming	47.5	34.9	-26.5
<b>Total</b>	<b>21,378.7</b>	<b>14,026.8</b>	<b>-34.4</b>

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



**Exhibit 13**  
**2012 Cigarette Prices and Sales**

<b>State</b>	<b>2012 State Excise Tax</b>	<b>Weighted Avg. Retail Price <sup>(1)</sup></b>	<b>Rank by Price</b>	<b>Per Capita Sales (Packs) <sup>(2)</sup></b>	<b>Rank by Per Capita Sales</b>
Alabama	\$0.43	\$4.84	40	67.2	11
Alaska	2.00	8.30	4	41.2	34
Arizona	2.00	6.60	12	25.0	47
Arkansas	1.15	5.49	28	60.5	17
California	0.87	5.40	30	25.2	46
Colorado	0.84	5.30	32	40.6	36
Connecticut	3.40	8.33	3	33.5	41
Delaware	1.60	5.83	21	84.9	5
Florida	1.34	5.55	26	45.9	26
Georgia	0.37	4.51	48	53.1	20
Hawaii	3.20	8.57	2	29.8	44
Idaho	0.57	4.79	42	43.5	30
Illinois	0.98	6.85	11	46.5	25
Indiana	1.00	5.23	33	66.0	13
Iowa	1.36	5.75	24	48.6	23
Kansas	0.79	5.15	35	43.0	32
Kentucky	0.60	4.75	43	100.1	2
Louisiana	0.36	4.65	46	72.0	8
Maine	2.00	6.39	13	48.9	22
Maryland	2.00	6.36	15	34.4	40
Massachusetts	2.51	7.51	7	33.5	41
<b>Michigan</b>	<b>2.00</b>	<b>6.39</b>	<b>14</b>	<b>46.7</b>	<b>24</b>
Minnesota	1.60	5.81	23	37.9	37
Mississippi	0.68	4.90	37	66.5	12
Missouri	0.17	4.24	50	89.4	4
Montana	1.70	6.13	18	45.5	28
Nebraska	0.64	5.06	36	52.5	21
Nevada	0.80	5.18	34	43.1	31
New Hampshire	1.68	5.88	19	93.9	3
New Jersey	2.70	7.32	9	31.6	43
New Mexico	1.66	6.17	17	26.7	45
New York	4.35	9.97	1	18.0	50
North Carolina	0.45	4.58	47	60.7	16
North Dakota	0.44	4.45	49	74.5	6
Ohio	1.25	5.53	27	55.7	18
Oklahoma	1.03	5.40	30	71.3	9
Oregon	1.18	5.47	29	44.7	29
Pennsylvania	1.60	5.87	20	55.0	19
Rhode Island	3.46	8.23	5	35.8	39
South Carolina	0.57	4.85	39	61.9	14
South Dakota	1.53	5.83	22	42.8	33
Tennessee	0.62	4.83	41	68.3	10
Texas	1.41	5.66	25	36.7	38
Utah	1.70	6.24	16	23.0	48
Vermont	2.62	7.49	8	45.7	27
Virginia	0.30	4.68	45	72.4	7
Washington	3.03	7.69	6	20.3	49
West Virginia	0.55	4.75	43	105.0	1
Wisconsin	2.52	7.24	10	41.2	34
Wyoming	0.60	4.90	38	61.5	15
<b>U.S. Average</b>	<b>\$1.44</b>	<b>\$5.65</b>		<b>52.9</b>	

(1) As of November 1, 2012, and includes generic brands.

(2) Per capita sales are as of June 30, 2012.

Source: Orzechowski and Walker.

**Exhibit 14**  
**Other Tobacco Products Tax Revenue, FY 2012**

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	\$7,198.3	5.0	1.5 cents/oz.	7.7	0.4
Alaska	11,997.8	16.8	75.0 %	6.9	0.3
Arizona	18,750.1	5.5	22.3 cents/oz.	2.4	0.1
Arkansas	51,715.5	20.9	68.0 %	9.4	1.0
California	70,749.7	7.9	30.7 %	1.1	0.0
Colorado	30,591.8	14.9	40.0 %	4.3	0.0
Connecticut	9,904.4	2.4	50.0 %	0.9	0.0
Delaware	3,154.2	2.5	15.0 %	1.4	0.0
Florida	94,935.9	7.5	85.0 %	1.7	0.1
Georgia	37,980.2	16.5	10.0 %	3.3	0.8
Hawaii	7,772.0	5.6	70.0 %	1.1	0.0
Idaho	10,298.6	20.8	40.0 %	5.4	0.1
Illinois	28,982.6	4.7	36.0 %	1.9	0.1
Indiana	33,545.3	7.3	24.0 %	3.4	0.1
Iowa	26,689.7	11.6	50.0 %	6.0	0.2
Kansas	7,166.9	7.1	10.0 %	7.0	0.1
Kentucky	21,730.6	7.6	15.0 %	7.6	0.4
Louisiana	27,816.2	19.0	20.0 %	4.5	0.7
Maine	9,866.8	7.0	\$2.02/oz.	2.7	0.0
Maryland	12,812.3	3.1	30.0 %	1.4	0.0
Massachusetts	19,887.5	3.5	90.0 %	0.5	0.1
<b>Michigan</b>	<b>63,750.5</b>	<b>6.5</b>	<b>32.0 %</b>	<b>3.2</b>	<b>0.0</b>
Minnesota	53,075.9	14.1	70.0 %	4.7	0.1
Mississippi	23,045.6	14.6	15.0 %	8.7	0.4
Missouri	16,308.8	15.1	10.0 %	5.1	0.2
Montana	13,119.6	14.7	50.0 %	8.4	0.6
Nebraska	8,240.3	11.7	20.0 %	7.4	0.1
Nevada	8,274.3	8.0	30.0 %	2.1	0.0
New Hampshire	7,141.1	3.3	48.0 %	1.3	0.0
New Jersey	20,813.0	2.7	30.0 %	0.6	0.0
New Mexico	7,349.6	7.4	25.0 %	5.1	0.2
New York	101,400.2	6.3	75.0 %	1.0	0.1
North Carolina	33,010.3	11.2	12.8 %	5.6	0.9
North Dakota	5,661.8	20.2	16 cents/oz.	7.8	0.3
Ohio	53,609.6	6.4	17.0 %	5.0	0.1
Oklahoma	49,081.5	16.7	60.0 %	9.8	0.3
Oregon	52,167.2	20.6	65.0 %	5.3	0.3
Pennsylvania	NA	NA	NA	5.2	0.0
Rhode Island	3,644.1	2.8	80.0 %	0.6	0.0
South Carolina	6,529.3	3.8	5.0 %	4.1	0.5
South Dakota	6,514.2	10.8	35.0 %	7.9	0.3
Tennessee	13,709.5	4.8	6.6 %	6.5	0.4
Texas	185,256.2	12.2	\$1.19/oz	4.5	0.1
Utah	20,381.8	15.6	86.0 %	4.5	0.1
Vermont	6,868.3	8.6	92.0 %	3.2	0.0
Virginia	18,568.2	9.6	Varies by wgt.	4.2	0.1
Washington	46,569.2	9.9	95.0 %	5.5	0.1
West Virginia	6,713.5	6.1	7.0 %	12.0	0.3
Wisconsin	65,523.8	10.0	71.0 %	4.1	0.1
Wyoming	5,141.4	20.4	20.0 %	13.8	0.8
<b>Total/National</b>	<b>\$1,445,015.8</b>	<b>8.4</b>		<b>4.5</b>	<b>0.1</b>

(1) When tax rates differ by type, the rate for chewing tobacco is shown. Rates effective January 1, 2013.

Sources: Orzechowski & Walker. Usage rates are from the Centers for Disease Control and Prevention for 2006-07.

**Exhibit 15**  
**Percentage of Adults Currently Smoking Cigarettes, 2010**

<u>State</u>	<u>Overall</u>	<u>Rank</u>	<u>Men</u>	<u>Women</u>
Alabama	21.9	8	25.5	18.7
Alaska	20.4	13	22.5	18.1
Arizona	13.5	47	14.3	12.7
Arkansas	22.9	4	26.2	19.8
California	12.1	49	15.0	9.2
Colorado	16.0	33	18.0	14.0
Connecticut	13.2	48	15.4	11.1
Delaware	17.3	26	19.9	14.9
Florida	17.1	28	18.4	16.0
Georgia	17.6	24	20.0	15.4
Hawaii	14.5	44	16.0	13.0
Idaho	15.7	35	16.8	14.6
Illinois	16.9	30	20.3	13.7
Indiana	21.2	10	23.3	19.3
Iowa	16.1	32	17.5	14.8
Kansas	17.0	29	18.2	15.9
Kentucky	24.8	2	26.3	23.4
Louisiana	22.1	7	25.3	19.1
Maine	18.2	23	19.2	17.3
Maryland	15.2	40	17.3	13.4
Massachusetts	14.1	46	14.8	13.4
<b>Michigan</b>	<b>18.9</b>	<b>18</b>	<b>21.0</b>	<b>17.0</b>
Minnesota	14.9	43	15.5	14.4
Mississippi	22.9	4	26.5	19.7
Missouri	21.1	11	20.7	21.4
Montana	18.8	19	19.7	17.9
Nebraska	17.2	27	18.3	16.2
Nevada	21.3	9	22.4	20.2
New Hampshire	16.9	30	18.0	15.8
New Jersey	14.4	45	15.7	13.2
New Mexico	18.5	20	21.8	15.3
New York	15.5	37	18.1	13.0
North Carolina	19.8	15	23.4	16.4
North Dakota	17.4	25	18.2	16.6
Ohio	22.5	6	23.0	22.1
Oklahoma	23.7	3	25.1	22.3
Oregon	15.1	42	15.5	14.7
Pennsylvania	18.4	22	18.5	18.4
Rhode Island	15.7	35	17.9	13.7
South Carolina	21.0	12	25.2	17.0
South Dakota	15.4	38	17.1	13.7
Tennessee	20.1	14	21.7	18.6
Texas	15.8	34	18.3	13.4
Utah	9.1	50	10.6	7.7
Vermont	15.4	38	15.7	15.0
Virginia	18.5	20	22.2	15.1
Washington	15.2	40	16.2	14.2
West Virginia	26.8	1	28.3	25.4
Wisconsin	19.1	17	20.7	17.4
Wyoming	19.5	16	20.2	18.9
<b>Median for U.S. States</b>	<b>17.4</b>		<b>18.9</b>	<b>15.9</b>

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

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

