



Tobacco tax

Children's Alliance of New Hampshire

April 2005

Issue brief

Healthier state, healthier budget

Increasing New Hampshire's tobacco tax would bring so many benefits that the only question should be: How high?

There is a way for New Hampshire to raise a lot of money for state services without a new tax, while at the same time reducing its future health care costs and reducing addiction to a harmful drug.

For a healthier state and a healthier state budget, the Children's Alliance of New Hampshire endorses raising New Hampshire's tobacco tax as high as possible, and dedicating at least \$11 million to smoking prevention programs.

For a healthier state

Tobacco is a highly addictive substance. Its smoke contains more than 4,000 chemicals, 40 of which are carcinogens that most people would never knowingly put into their bodies. Smoking tobacco harms nearly every organ in the human body. It kills more Americans than auto accidents, homicides, suicides, AIDS, cocaine, heroin, alcohol and all other drugs combined.

When the U.S. Surgeon General released an updated report on the health consequences of smoking last year, then-Health and Human Services Commissioner Tommy Thompson said, "Smoking is the leading preventable cause of death and disease, costing us too many lives, too many dollars and too many tears. If we are going to be serious about improving health and preventing disease we must continue to drive down tobacco use. And we must prevent our youth from taking up this dangerous habit."

New Hampshire's percentages of high school seniors, young adults and pregnant women who smoke are all higher than the national averages.

Particularly troubling is the fact that 15.5% of women in New Hampshire use tobacco products while pregnant (the national average is 12%). Smoking and breathing secondhand smoke among pregnant women are major causes of miscarriage,

stillbirths and sudden infant death syndrome (SIDS).

Smoking harms young people's health both in the short and long terms. It restricts their lung growth and their physical fitness — both performance and endurance. Smoking at a young age increases the risk of lung cancer, a risk that grows greater with age. Although smoking is known to cause heart disease and stroke in adults, it is less widely known that adolescent smokers show early signs of those illnesses.

The American Lung Association estimates that tobacco use costs New Hampshire more in medical expenses and lost productivity each year than the state share of its health and human services budget.

New Hampshire can lower those costs by helping its citizens stop smoking and using other tobacco products and by encouraging others not to start. Increasing the tobacco tax will have both effects.

Numerous studies have found that increases in the price of cigarettes reduce smoking among adults and young people. Raising the price of cigarettes by 10 percent reduces cigarette use among children and pregnant women by an estimated 6-7%, among young adults by 3.5% and overall by between 3 and 5%.

A report published in the February 2005 edition of the peer-reviewed *American Journal of Public Health* found that higher cigarette prices were associated with lower smoking rates and lower daily cigarette consumption among young people.

The cigarette companies have known this for years. As a Philip Morris executive reported in a 1993 memo available on the company's Web site: "A high cigarette price, more than any other cigarette attribute, has the most dramatic impact on the share of the quitting population."

A high cigarette price also keeps people — especially young people — from starting to



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smoke. More than nine in 10 adult smokers say they began using tobacco while in their teens, or earlier. More than half say they were smoking daily before they turned 19. Research has shown that a 10% tax increase lowers by 10% the likelihood of young people becoming daily smokers.

The Campaign for Tobacco-Free Kids estimates that New Hampshire could prevent 4,780 children from suffering early, smoking-related deaths and save \$179.5 million in smoking-related health care costs if it spent \$11 million a year on tobacco prevention programs. Yet despite taking in \$134 million from the current tobacco tax and the tobacco lawsuit settlement, New Hampshire doesn't spend one public dollar to prevent smoking.

For a healthier budget

New Hampshire faces a projected \$300-million deficit in its 2006-07 budget and has nearly no reserve funds with which to fill the gap. Making matters worse, Congress and the President are trying to pay for two wars, increased security at home and multiple tax cuts by decreasing the funding they send to states. All of which leave New Hampshire with few options.

If we're going to avoid cutting state-funded services to our most vulnerable children and families, we must increase taxes and/or fees. We know from past experience when the state cuts funding, NH's most vulnerable citizens — children, poor families, the elderly, and persons with disabilities — take the brunt. Already, the legislature has produced a budget containing ideas as radical as charging Medicaid premiums to families with no income.

In this context, increasing the tobacco tax for the first time since 1999 seems an obvious choice. New Hampshire's tax, 52 cents per pack of cigarettes, is by far the lowest in New England and lower by 48 cents than that of any neighboring state.

The gap grows larger when those states' sales taxes are factored in. Because New Hampshire has no sales tax, we could double our tobacco tax and still charge less per pack than our next-closest neighbor, Maine (18-cent sales tax and \$1 cigarette tax per pack).

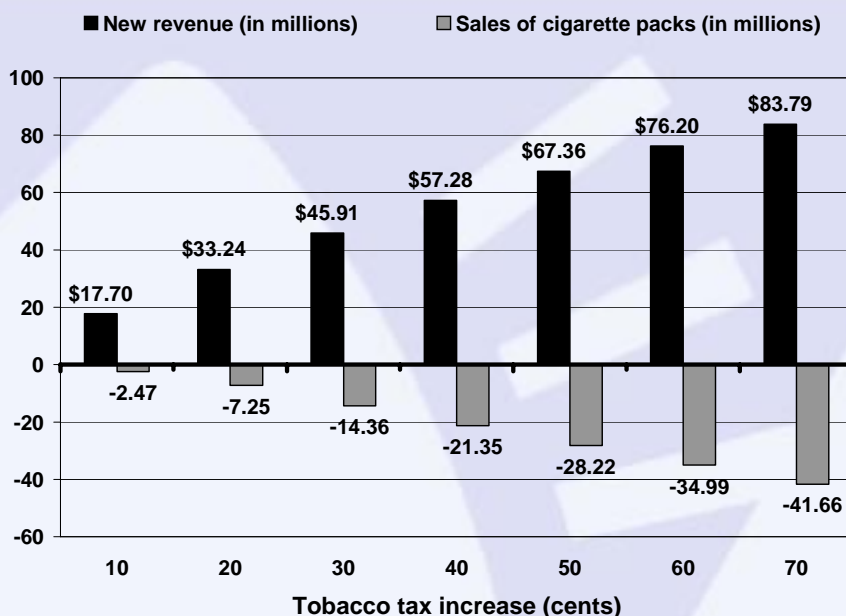
There have already been three proposals this spring to raise the tax on cigarettes.

A 28-cent-per-pack increase proposed by Gov. John Lynch in his 2006-07 budget would bring in \$43.5 million in new revenue in the first year, while decreasing cigarette sales by 13 million packs, according to the state Division of Revenue Administration (*see chart*).

Rep. Susan Almy's proposed 75-cent increase would increase revenue by \$87 million, and decrease sales by 45 million packs.

An innovative bill by state Rep. William Butynski attempts to raise the cigarette tax while maintaining the advantage our retailers have over stores in bordering

Raising NH tobacco tax will increase revenue, decrease sales



states. His bill would permanently set New Hampshire's tobacco tax rate 25 percent under the lowest combined tobacco and sales tax rates of any neighboring state. Using current figures, his bill would initially raise NH's tobacco tax by 36 cents, raise an additional \$52.9 million, and result in 18.5 million fewer packs sold. If split between the education trust fund and the general fund, as his bill proposes, it would pay for education aid to Nashua and Acworth, and for the state's public health services — with more than \$4 million to spare.

We endorse raising the tobacco tax while understanding fully that it will not be a long-term solution to New Hampshire's budget problems. Because cigarette consumption has declined for the past 20 years, and because higher prices will discourage smoking, tobacco tax revenue will not grow at the same pace as the state's needs, if at all. Nevertheless, we support raising the tax for its short-term fiscal benefits and long-term health benefits.

Summary

The health and budget benefits that the state and all of its citizens will derive from a tobacco tax increase make it the best by far of all the revenue options being discussed this year.

The Children's Alliance supports any proposal that includes a significant hike in the tobacco tax and dedicates at least \$11 million to tobacco prevention. We would also support indexing New Hampshire's tobacco tax to the combined sales and cigarette taxes of our neighboring states so revenue will decline more slowly than it otherwise would.

To find out how you can help the Children's Alliance advocate for a healthier state and healthier state budget, please visit our Web site at www.childrennh.org or call 225-2264.