

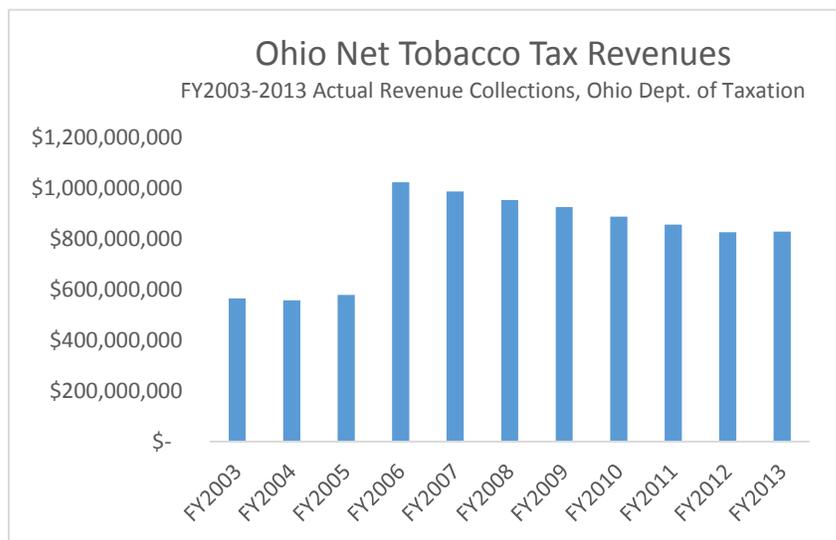


Benefits of Increasing Ohio’s Cigarette Tax by \$1.00 per pack and Raising the Other Tobacco Products Rate to Match

Tobacco Taxes Are Reliable Sources of Revenue

Currently, Ohio collects an estimated \$1.6 billion in tobacco taxes over the biennium, after the wholesaler discount. The last cigarette tax increase went into effect July 1, 2005 (FY2006). Governor Kasich’s proposed tobacco tax increases would raise an additional \$944.5 million over the biennium.ⁱ

According to Dr. Frank Chaloupka, a well-respected economist and tobacco policy expert at the University of Illinois at Chicago, year to year, state cigarette and other tobacco tax revenues are more predictable and less volatile than most other state revenue sources, such as state personal income taxes or corporate income taxes, which can vary considerably because of nationwide or regional recessions or state economic slowdowns.



In contrast, sharp drops in cigarette or other tobacco tax revenues from one year to the next are rare, in large part due to the addictive nature of cigarette smoking and other tobacco use. Long term trends in tobacco use show modest declines from year to year.

Ohio Voters, Regardless of Party Affiliation, Support Tobacco Taxes

In a 2014 statewide poll, nearly two-thirds (64.5 percent) of Ohio voters favored increasing the tax on all tobacco products in order to offset an income tax reduction. Support was high across all demographic groups including 63 percent of men and 66 percent of women; 66 percent of Republicans, 66 percent of Democrats, and 61 percent of Independents.ⁱⁱ

Use of Tobacco by Medicaid Recipients Is Costing Ohio

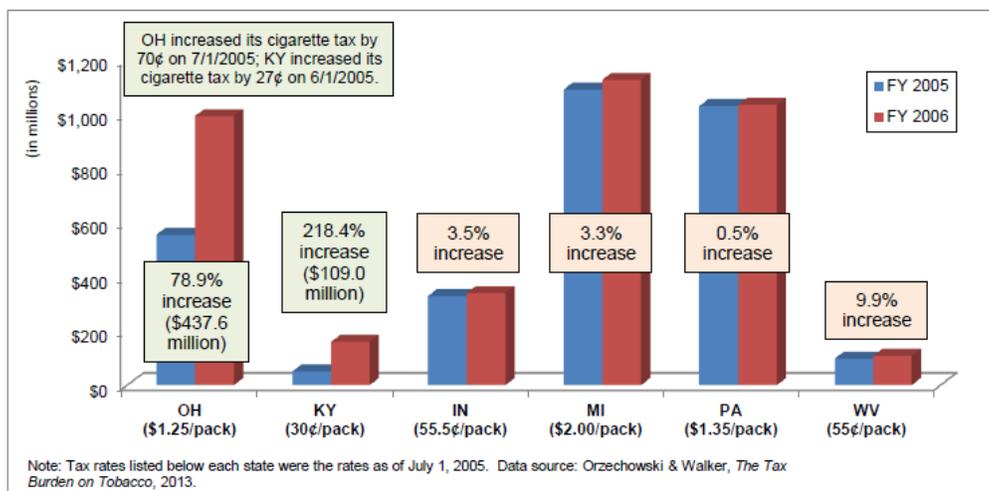
Currently, 23.4% of Ohio adults smoke, the eighth highest rate in the country. Even more staggering are the tobacco use rates among the Medicaid population and associated costs.

- More than 50% of adult Medicaid enrollees ages 19 to 64 currently use tobacco.ⁱⁱⁱ
- Ohio spends \$1.7 billion each year on Medicaid costs to treat sick smokers.^{iv}
- In just the first five-years, the Medicaid program savings to Ohio would be \$15.2 million due to the cigarette tax increase alone.^v

Cross Border Issues Are Exaggerated and Have Little Impact on Revenue

When Ohio last increased its cigarette tax by 70 cents on July 1, 2005, its surrounding states saw minimal revenue increases, while Ohio collected more than \$437 million in new revenue. Kentucky, which also increased its cigarette tax by 27 cents (nine times its original tax rate) a month prior to Ohio, collected more than \$109 million in revenue (more than tripling its previous collection amount).

The chart clearly shows how much more of a revenue benefit Ohio's increase was for that state, while its neighboring states (with the exception of Kentucky, which also increased its tax) gained minimal benefits comparatively.



In 2013, Minnesota increased its cigarette tax by \$1.60 per pack (to \$2.83 per pack, higher than all of its neighboring states). Despite industry warnings about cross border sales, Minnesota's cigarette tax revenues increased by more than 50 percent, while nearby states saw little or no growth in revenue.

In addition, the Executive proposal is investing in enforcement of all of the state's tobacco laws including tax evasion and smuggling.

The Impact of a Cigarette Tax Increase on Retailers Is Often Overstated.

It is well documented that convenience stores and other retail outlets have become the dominant channel for marketing and selling tobacco products. In exchange, for billions of dollars in direct payments, price incentives and other inducements, they have become marketing arms of the tobacco companies. Post Master Settlement Agreement from 1998 to 2008, annual tobacco company spending in the retail environment increased by 81% to \$9.8 billion.

Tobacco companies and convenience stores overstate the harm to retailers caused by tobacco control policies. They often ignore the fact the people who quit or cut back on tobacco purchases will still spend their money on other products, so those dollars will not be lost entirely. For example, when Washington state increased its cigarette tax by \$1.00 per pack in May 2010 (2nd quarter), gross business income for gas stations, including convenience stores, actually increased by 17.3% and 8.6% in the 2nd and 3rd quarters compared with the same periods the previous year.

ⁱ Ohio Department of Taxation, February 12, 2015 Testimony before House Finance Committee.

ⁱⁱ Fallon Research and Communications, Inc. April 2014 poll of 800 registered Ohio voters.

ⁱⁱⁱ Ohio Medicaid Assessment Survey, 2012.

^{iv} Toll of Tobacco on Ohio, Campaign for Tobacco-Free Kids.

^v New Revenues, Public Health Benefits & Cost Savings, Campaign for Tobacco-Free Kids and American Cancer Society Cancer Action Network, February 2015.