



BENEFITS FROM A CIGARETTE TAX INCREASE IN INDIANA

Current State Cigarette Tax: 55.5 Cents Per Pack (36th among all states)

Smoking-caused costs in state per taxed pack sold: \$7.57

Average retail price per pack: \$3.83 (state share from excise and sales taxes: \$0.77)

Annual health care expenditures in the Indiana directly caused by tobacco use: \$2.08 billion

Total state Medicaid program smoking costs each year: \$487.0 million

Annual state cigarette tax revenue: \$328.0 million (2005)

Last Indiana Cigarette Tax Increase: 7/1/2002

Projected Benefits From Increasing the State Cigarette Tax By 100 Cents Per Pack

- **New state cigarette tax revenues each year: \$352.3 million**
- **Pack sales decline in state: -172.8 million**
- **Percent decrease in youth smoking: 18.0%**
- **Increase in total number of kids alive today who will not become smokers: 89,800**
- **Number of current adult smokers in the state who would quit: 52,900**
- **Number of smoking-affected births avoided over next five years: 16,000**
- **Number of current adult smokers saved from smoking-caused death: 14,000**
- **Number of kids alive today saved from later premature smoking-caused death: 28,700**
- **5-Year healthcare savings from fewer smoking-affected pregnancies & births: \$27.2 million**
- **5-year healthcare savings from fewer smoking-caused heart attacks & strokes: \$32.2 million**
- **Long-term healthcare savings in state from adult & youth smoking declines: \$2.7 billion**

These projections are based on research findings that a 10% cigarette price increase reduces youth smoking rates by 6.5%, adult rates by 2%, and total consumption by 4% (but adjusted down to account for tax evasion effects), and assume that the state tax will keep up with inflation. Nevertheless, the tax increase will both reduce smoking levels and increase state revenues because the higher tax per pack brings in more new revenue than is lost from the drop in the number of packs sold. These projections are fiscally conservative because they include a generous adjustment for lost state pack sales (and tax revenues) from new tax avoidance efforts after the tax increase by continuing continuing in-state smokers, and from fewer sales to smokers from other states or to informal or small-scale smugglers. Kids stopped from smoking and dying are from all kids alive today. Long-term savings accrue over lifetimes of persons who stop smoking or never start because of tax increase. All cost and savings amounts are in 2004 dollars.

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For more information, see the Campaign fact sheets -- including *Raising State Tobacco Taxes Always Reduces Tobacco Use (& Always Increases State Revenues)* -- at <http://tobaccofreekids.org/research/factsheets/index.php?CategoryID=18> and <http://tobaccofreekids.org/reports/prices>.

Sources. Chaloupka, F, "Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," *Nicotine & Tobacco Research*, 1999, and other price studies at <http://tigger.uic.edu/~fjc> and www.uic.edu/orgs/impactteen. Orzechowski & Walker, *Tax Burden on Tobacco*, 2005. USDA Economic Research Service, www.ers.usda.gov/Briefing/tobacco. State tax offices. Farrelly, M. et al., "Cigarette Smuggling Revisited," U.S. Centers for Disease Control & Prevention (CDC), in press. CDC, *Data Highlights 2006* [and underlying CDC data/estimates]. Miller, P., et al., "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking," *Nicotine & Tobacco Research* 3(1): 25-35, February 2001. Lightwood, J. & S. Glantz, "Short-Term Economic and Health Benefits of Smoking Cessation - Myocardial Infarction and Stroke," *Circulation* 96(4): 1089-1096, August 19, 1997, <http://circ.ahajournals.org/cgi/content/full/96/4/1089>. Hodgson, T., "Cigarette Smoking and Lifetime Medical Expenditures," *The Millbank Quarterly* 70(1), 1992. U.S. Census. Nat'l Center for Health Statistics.

Projections will be updated and improved as updated underlying data becomes available and when new data and research findings prompt refinements to the underlying models and formulas. Please direct questions to Eric Lindblom, Campaign for Tobacco-Free Kids, 202-296-5469 or elindblom@tobaccofreekids.org.