



## Vermont's current cigarette tax and benefits of a \$1.00 increase

Vermont's cigarette tax is \$2.24. The Coalition would like the tax increased by at least \$1.00 bringing it to \$3.24. Raising the tax is the single, most effective way to prevent youth from smoking. When coupled with a strong tobacco control program, its one of the best ways to get smokers to quit.

Raising the tax also makes sense because the revenues would go towards health care. Currently, 84.5% of revenues from Vermont tobacco taxes go to the State Health Care Resource Fund and 15.5% to Catamount Health. **A \$1.00 increase would provide \$6.7 million in new revenue.**

While the revenue the tax would generate isn't the primary reason the Coalition is supporting a tax increase, it will take the pressure off using funds from the Tobacco Control Program and Tobacco Trust fund to pay for Medicaid costs. Preserving the Tobacco Control Program and the Tobacco Trust Fund so smokers have services to turn to in years to come is one of our priorities. The Tobacco Control Program has been cut by \$700,000 over the last two years, the lion's share of Master Settlement dollars coming into Vermont now goes to fund Medicaid, and each year additional funds are taken from the Tobacco Trust Fund to address Medicaid costs.

### **New England cigarette tax rates – Vermont is among the lowest:**

NY increased its tax by \$1.60 on July 1st to \$4.35

RI is \$3.46

CT is \$3.00

MA is \$2.51

VT is \$2.24

ME is \$2.00

NH is at \$1.78

### **Raising the price of tobacco is an effective tool to prevent and reduce smoking:**

Studies have repeatedly shown that increasing the price of tobacco by *at least* 10% reduces adult smoking by 3-5 % and youth smoking by about 7%. In addition, the CDC has found that low income smokers are four more times likely to quit than higher income smokers. Accordingly, kids and low-income smokers will receive markedly large health benefits from cigarette tax increases.

### **Benefits of a \$1.00 increase in Vermont according to the Campaign for Tobacco Free Kids:**

- Vermont would raise \$6.7 million in new annual revenue
- Prevent 3,600 kids from becoming smokers
- Spur 1,900 current adult smokers to quit
- Save 1,600 residents from premature, smoking-caused deaths; and
- Save \$81.1 million in health care costs

### **Support for a \$1.00 increase:**

- A January 2009 Macro poll showed 82% of Vermonters supported increasing the state tax on cigarettes by \$1.00 in order to keep Catamount Health, Dr. Dynasaur and other state health care programs affordable for low income Vermonters
- A nationwide poll in January 2010 found that 67% of voters support a \$1 tobacco tax increase, with backing from large majorities of Republicans (68%) and Democrats (70%), and Independents (64%)
- Voters far preferred raising the tobacco tax to other options for addressing state budget deficits. While 60 percent favored increasing the tobacco tax for this purpose, more than 70

percent opposed every other option presented, including higher state income, gasoline and sales taxes and cuts to education, health care, transportation and law enforcement programs

**Vermont tobacco tax history:**

- In 2002 the Coalition ran a successful campaign to increase cigarette taxes from \$0.44 to \$1.19 per pack over two years.
- In 2006 the Coalition ran another successful campaign to increase the tax on cigarettes by \$0.80 over two years, an increase which brought the total to \$1.99 per pack.
- In 2009, the legislature increased the tax by \$0.25 to its current level of \$2.24.



## Response to cigarette company myth that cigarette tax increases are regressive and hurt poor people

**A. The cigarette companies have it backwards: it is the harms from smoking that are regressive.** Lower-income communities already suffer disproportionately from smoking-caused disease, disability, death, and costs. By prompting more lower-income smokers to quit and cut back, raising state cigarette tax rates will reduce those regressive harms and costs, directly helping lower-income smokers and also reducing smoking-caused costs and harms to their families. [See the TFK Factsheet *State Cigarette Tax Increases Benefit Lower-Income Residents*, <http://tobaccofreekids.org/research/factsheets/pdf/0147.pdf>.]

**B. Smokers who quit or cut back because of a cigarette tax increase save a lot of money, and most of those who quit or cut back are low-income smokers.** Because lower-income smokers are more likely than higher-income smokers to quit or cut back in response to a cigarette tax increase, lower-income smokers are more likely to end up actually getting a big tax cut. Smokers who quit or cut back because of a tax increase not only stop paying any cigarette taxes but also stop spending any of the other amounts they previously paid for cigarettes. Calculating the monetary savings for a pack-a-day smoker who quits (or a two-packs-a-day smoker who cuts back to one pack) is quite revealing, with average savings ranging from \$1,000 to \$2,300 per year, depending on the state. [See TFK factsheet for state-specific information on how much smokers can save from quitting or cutting back, *Immediate Smoker Savings from Quitting in Each State*, <http://www.tobaccofreekids.org/research/factsheets/pdf/0337.pdf>]

**C. Most of the benefits from the quitting after a cigarette tax increase are enjoyed by low-income smokers and their families; but continuing higher-income smokers pay the lion's share of the higher tax rate.** Nationwide, 60 percent of all smokers have incomes greater than 200 percent of the poverty line; but roughly three out of every four smoker who quits because of a cigarette tax increase will have incomes below 200 percent of the poverty line. [See, e.g., the joint TFK factsheet with the Center for Budget & Policy Priorities, *Expanding Children's Health Insurance and Raising Federal Tobacco Taxes Helps Low-Income Families* (similar calculations could be made for any proposed state cigarette tax increase), <http://tobaccofreekids.org/research/factsheets/pdf/0322.pdf>.]

**D. Most of the reductions to smoking-caused disease and other harms produced by cigarette tax increases will occur in lower-income households.** Because most of the smokers who quit or cut back due to a cigarette tax increase have lower incomes, most of the public health benefits from the tax-increase smoking declines (including reduced family exposure to secondhand smoke) will be enjoyed by lower-income households.

**E. Polls consistently find strong support for tobacco tax increases among lower-income communities.** Nobody wants cheap cigarettes in their neighborhoods. [See, e.g., TFK Factsheet, *Voters Across the Country Support Significant Increases in State Tobacco Taxes*, <http://tobaccofreekids.org/research/factsheets/pdf/0167.pdf>.]

**F. The new revenues from cigarette tax increases can be used to fund new programs that benefit low-income communities (or avert cuts), including tobacco prevention and cessation assistance programs.**

**G. By reducing smoking levels, cigarette tax increases also reduce government smoking-caused costs, thereby shrinking the large amounts low-income and other households are currently paying in taxes to cover smoking-caused government expenditures.** [See, e.g., TFK Factsheet, *Smoking-Caused Federal & State Government Expenditures and Related Tax Burdens on Each State's Citizens*, <http://tobaccofreekids.org/research/factsheets/pdf/0096.pdf>.]



## Maintaining Level Funding for Vermont's Tobacco Control Program and Protecting the Tobacco Trust Fund Makes Good Fiscal Sense

Vermont's comprehensive tobacco control program is evidence-based with proven results. Since 2001:

- Adult smoking rate has decreased from 22% to 17%.
- Youth smoking rate dropped from 33% to 16%.
- Nearly 90% of Vermonters with kids prohibit smoking in their home.
- The state is saving \$4-5 million each year in Medicaid costs alone.

However, Vermont's fight against tobacco use continues as:

- The youth smoking rate has not changed since 2005.
- The smoking rate for high school seniors and young adults is over 20%.
- The smoking rate for low income residents and those seeking mental health services is 36% and 44% respectively.

Despite this, the Tobacco Control Program's current funding level of \$4,515,039 reflects cuts over the past two years totaling more than \$700,000.

Though the Legislature was able to prevent much larger cuts proposed by the Governor (using \$1.5 million from the Tobacco Trust Fund to supplement the program in FY10 and \$1.2 million in one-time General Fund monies to supplement the program in FY11) the program could be at great risk.

If those General Fund monies aren't used again, or the Legislature does not make a commitment to restore MSA dollars to the Tobacco Control Program that were used for other purposes, the program could be facing a spending level of only \$3,315,039 – its lowest point ever. The result would be devastating cuts to public education, nicotine replacement therapy, local community coalitions and hospital cessation services.

Vermont's Tobacco Control Program is one of the best preventative steps the state can take to control health care costs. Currently, the state spends \$233 million in tobacco-related health care, \$72 million of which are direct Medicaid expenditures. These costs will rise without an adequate investment in tobacco control.

Protecting the Tobacco Trust Fund to preserve the long-term health of the Tobacco Control Program should also be a legislative priority. Demands on Master Settlement (MSA) dollars and the Trust Fund have put both it and the program at risk. For FY10, the Legislature anticipated MSA funds would be \$40 million, yet slated over \$42 million in MSA spending. Because MSA funding is linked to cigarette sales and the volume of sales was down 10%, Vermont actually received closer to \$36 million instead of the \$40 million predicted. The result was a \$6 million hit to the Trust Fund. Given that MSA dollars will likely continue to decrease, the Legislature needs to rethink the current use of MSA funding, or there will soon be no Trust Fund monies left and the future of the Tobacco Program will be in jeopardy.