

TOBACCO

Facts

July 2009

Tobacco Excise Taxes

- The 2000 Surgeon General's Report, *Reducing Tobacco Use*, found that raising tobacco-product prices decreases the prevalence of tobacco use, especially among children and young adults. The report concluded that raising tobacco taxes is one of the most effective tobacco prevention and control strategies.¹
- A 10 percent increase in the real price of cigarettes will reduce the total amount of adult smoking by about 2 percent and reduce teen smoking by roughly 7 percent. Overall consumption will be reduced by 4 percent.²
- Every state that has significantly increased its excise tax has significantly increased its revenues – despite the lost sales caused by the related smoking declines and despite any associated increase in cigarette smuggling or other tax avoidance. Research shows that cigarette smuggling and tax avoidance are relatively minor problems.³
- Cigarette and tobacco taxes are paid monthly to the state tax department primarily by wholesalers and distributors, who collect the taxes from retailers.⁴
- North Dakota's tobacco use rates are high:
 - ▼ Twenty-one percent of students in grades nine through 12 are current smokers.⁵
 - ▼ Eighteen percent of adults are current smokers.⁶
- Nationwide, cigarette taxes range from a low of 7 cents in South Carolina to a high of \$3.46 in Rhode Island.⁷
 - ▼ Tobacco states' average 38.5 cents per pack
 - ▼ Other states' average \$1.38 per pack
 - ▼ Overall states' average \$1.27 per pack
- Since 2002, 44 states, the District of Columbia and several U.S. territories have increased their cigarette tax rates. Several of those states and territories have increased their tax rates multiple times since 2002.⁷
- Current excise tax rates:⁷
 - ▼ North Dakota 44 cents per pack
 - ▼ Minnesota \$1.50 per pack
 - ▼ South Dakota \$1.53 per pack
 - ▼ Montana \$1.70 per pack

¹ U.S. Department of Health and Human Services. *Reducing Tobacco Use: A Report of the Surgeon General*. U.S. Centers for Disease Control and Prevention, 2000.

² Chaloupka, Frank F. *Macro-Social Influences: Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products*. Nicotine and Tobacco Research, 1999.

³ Yurelki, A. & P. Zhang. *The Impact of Clean Indoor-Air Laws and Cigarette Smuggling on Demand for Cigarettes: An Empirical Model*. Health Economics 9:159-170, 2000.

⁴ North Dakota Office of State Tax Commissioner.

⁵ North Dakota Youth Risk Behavior Survey, 2007.

⁶ North Dakota Behavioral Risk Factor Surveillance System, 2008.

⁷ Campaign for Tobacco-Free Kids. *State Cigarette Excise Tax Rates & Rankings*, August 2008.



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