OPINION June 24, 2015

# When it comes to cigarette tax, governments should use it right or lose it

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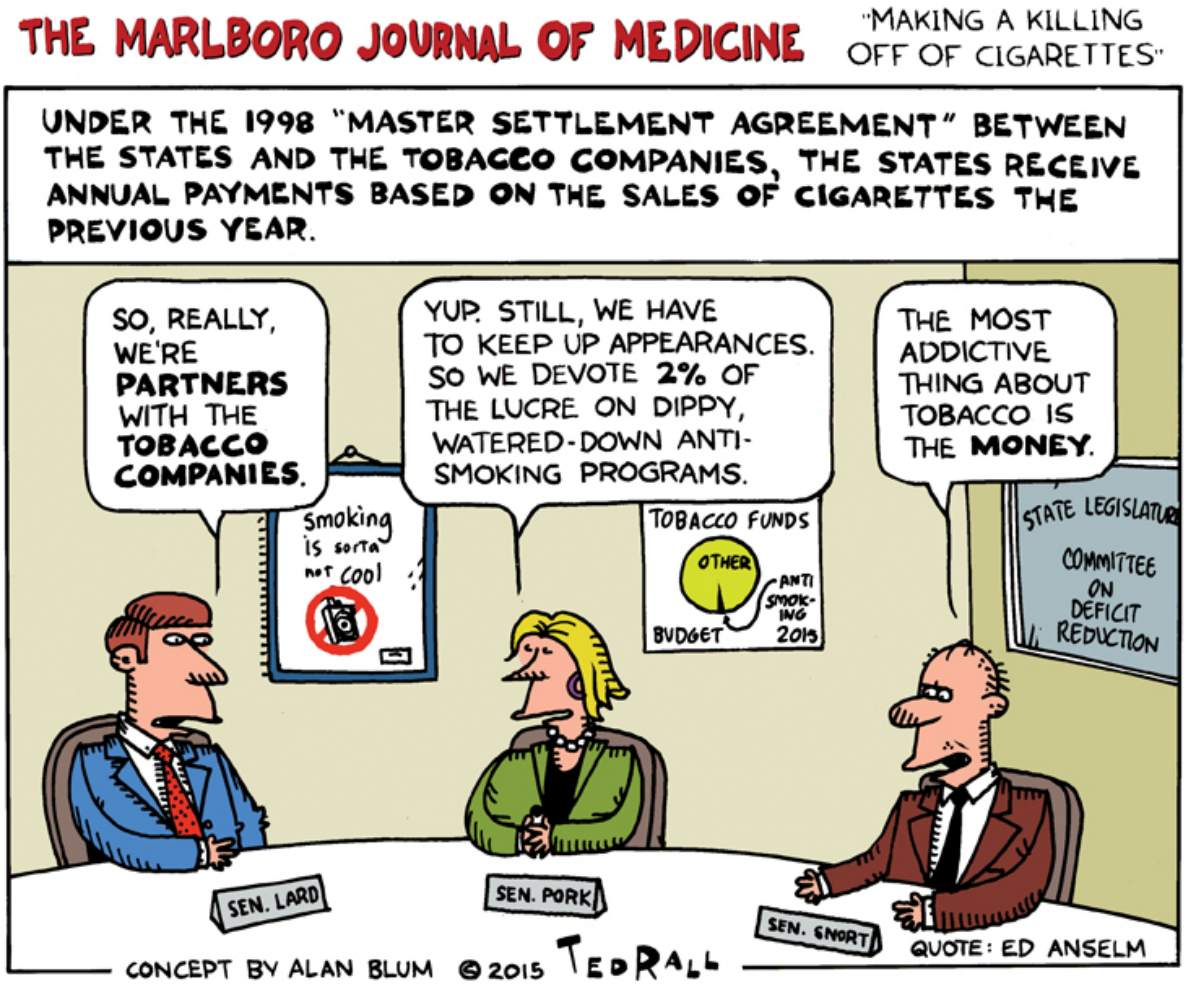
Alabama's legislative session has come and gone without the passage of a proposed 82-cent per pack increase in the tax on cigarettes. The chances of such a tax weren't good to begin with in a state that seldom endorses taxes of any kind. But maybe that's not such a bad thing.

Whenever legislatures need money in a pinch, they always turn to cigarettes first. The lawmakers seem to be recognizing the dangers to health and are punishing smokers for being so foolhardy. But are governments really providing disincentives for bad health and high medical costs by adding to the cost of cigarettes? To the contrary, the way things are, the states want and need to profit from cigarette sales. From a public health perspective, a tax on cigarettes that goes into general revenue to be used for deficit reduction doesn't do anything to reduce smoking, contrary to what we have been led to believe by groups such as the Washington, D.C.-based Campaign for Tobacco Free Kids. That's because a government that collects such a tax becomes dependent on it.

The payment that Alabama gets each year from the tobacco industry is a case in point. The Master Settlement Agreement came about from lawsuits brought by the state




attorneys general against the tobacco industry in the 1990s for repayment of the Medicaid costs of caring for patients with smoking-related diseases.

Each state's annual MSA payment is based on the number of cigarettes sold in the state the previous year. Small wonder why, according to the US Centers for Disease Control and Prevention (CDC), the MSA payments allocated by the legislatures to fight smoking have actually shrunk to an average of less than 2 percent of the money. The CDC reports that between 1998 and 2010 the states collected $243.8 billion in revenue from the MSA and from cigarette taxes but allocated only $8.1 billion for tobacco prevention and cessation programs.

The states have thus become addicted to the MSA cash to help reduce their budget deficits. But if a significant percentage of this money were directed, as the attorneys

general intended, toward the purchase of widespread mass media messages to reduce smoking (just as politicians spend most of the money they raise on advertisements to get re-elected), then we would be heading in the right direction.

There is a precedent for this is in California. In 1988 voters passed a ballot measure that raised the state's cigarette tax by 25 cents a pack and allocated the revenues to a comprehensive statewide tobacco control program built around campaigns to encourage smokers to stop and to prevent teenagers from starting. This strategy of raising cigarette taxes to fund anti-smoking programs became the gold standard in tobacco control. In effect, purchasers of cigarettes would be helping to reduce smoking, including their own.

As Boston University School of Public Health professor Michael Siegel has written, "The public health benefits of California's strategy were immense. Cigarette consumption and smoking prevalence dropped substantially, both among youths and adults. Even long-term outcomes, such as lung cancer, have declined in California thanks to the approach approved by voters in 1988."

Much of the evidence for what works in tobacco control is based on the successful program in California, which inspired Massachusetts, Oregon, and Arizona in their comprehensive anti-smoking efforts. States that have made sustained investments in comprehensive tobacco control programs have seen cigarette sales drop approximately twice as much as in the nation as a whole.

The cost of caring for patients with smoking-related diseases remains a significant reason that Medicaid is in the red, but even putting all of the MSA payment money into Medicaid will do nothing to reduce smoking and ultimately little to reduce the high cost of caring for patients with smoking-related diseases.

The impact of an increase in the cigarette excise tax in reducing smoking has been overestimated. For one thing, it is easy for consumers to circumvent the tax via the internet, discount tobacco outlets, or the black market. For another, the states with the highest taxes, such as New York, have the biggest black markets and the most bootlegging.

Yet why should governments accept any tax money from cigarette sales, while they spend five times that amount to care for persons with irreversible or incurable

diseases?  Upwards of a third of the nation's health care bill is attributable to cigarette smoking.

Once we remove the false security that we punish sinners by taking their money, it's possible that government will realize that the income from these sin taxes is a relative drop in the bucket compared to what we pay in the long run as a result of smoking-caused disease and disability.

To end the smoking pandemic, governments should either dedicate a significant percentage of cigarette excise taxes to reduce smoking, or they should get rid of such taxes altogether.