Summary

Tobacco use is the leading cause of preventable death and disease in the nation and claims the lives of more than 3,800 West Virginians each year. The state has the highest smoking rates in the country among adults and pregnant women, but ranks in the bottom 20 percent in the size of its tobacco tax. Given that tobacco price increases lead to reduced use, the health and economy of West Virginia would be well-served by a tobacco tax increase.

HB 2746/SB 420 would increase West Virginia’s cigarette tax by 65 cents per pack and smokeless tobacco by 7 percent. The increase would bring the total cigarette tax up to the national average of $1.20 per pack. This amount is likely to deter 30,300 youth from starting to smoke and motivate 14,000 adults to stop smoking.

Like other consumption taxes, the tobacco tax imposes a disproportionate burden on people with lower incomes. To reduce this unfairness, most of the tobacco tax revenues should be dedicated public programs that benefit lower-income individuals and their families.

Tobacco: The #1 Health Hazard in the State and Nation

More than four decades ago, Surgeon General Luther Terry issued the flagship report on smoking and health, warning the nation that tobacco was the cause of much poor health and early death for millions of Americans. The public’s attention was riveted on the grim facts: smokers died at rates 70 percent higher than nonsmokers; they had a nine- to ten-fold risk of developing lung cancer; and smoking was linked to chronic bronchitis, emphysema and coronary heart disease.

Since 1964, successive Surgeon Generals have issued new reports that confirm and expand upon the initial findings. In 1969 and 1980, the reports focused on the harmful effects of smoking on pregnancy, including higher rates of stillbirth, premature birth, low birth weight, and Sudden Infant Death Syndrome. The 1979 report addressed concerns about youth smoking. The 1988 report put forth conclusive evidence that cigarette smoking is addictive. The most recent report in 2006 highlighted the dangers of secondhand smoke.

Despite decades of research and enormous change in public attitudes about smoking, tobacco remains the leading cause of preventable death and disease in the state and nation. More than 3,800 West Virginians die from smoking each year, and another 410 die from exposure to secondhand smoke. Smoking kills more people than alcohol, AIDS, car crashes, illegal drugs, murders and suicides combined.
The state’s smoking rates for adults and pregnant women are the worst in the nation. More than one in four West Virginia adults (26.9 percent), youth (27.6 percent), and pregnant women (27 percent) smoke. The high rates fall far short of the goals of Healthy People 2010, the national public health objectives, which seek to decrease tobacco use to 12 percent for adults, 16 percent for adolescents and one percent for pregnant women.

![West Virginia Smoking Rates Compared to National Goals](chart)

Sources: Healthy People 2010; Coalition for Tobacco-Free Kids

In 2008, the West Virginia Legislature formed a special committee (Select Committee D) to study the problems of health and health care. They engaged hundreds of citizens to develop recommendations for change. The single most important recommendation to come out of that process was to reduce tobacco use in the state by increasing the tax on cigarettes and smokeless tobacco products. This year, bills have been introduced in the House and Senate (HB 2746/SB 420) to increase the cigarette tax by 65 cents per pack and smokeless tobacco by 7 percent.

**The Tobacco Tax from a Health Perspective**

Smoking cessation has immediate and long-term benefits for men and women of all ages. The risk of lung and other cancers, cardiovascular diseases, chronic lung disease, and heart attack all significantly decrease when individuals quit smoking. Former smokers live longer than continuing smokers. Women who stop smoking before pregnancy reduce their risk of having babies with low birth weights and other complications.

One of the most potent tools to reduce smoking has been tobacco taxes. Numerous economic studies and peer-reviewed journals have documented that cigarette price increases can lead to significant reductions in smoking among current smokers and in the number of people who start smoking. Young people and pregnant women are considered especially sensitive to tobacco
price increases. Given that nearly all smoking initiation begins prior to high school graduation and that smoking habits become firmly established during early adulthood, pricing young people out of the market is an effective strategy to curb tobacco addiction.

The research suggests that a 10-percent increase in the real price of cigarettes can be expected to reduce overall short-term cigarette consumption by 2 to 5 percent for adults. Among young people, a 10-percent increase is expected to decrease consumption by 6 percent or more. The health effects of a 65-cent increase in West Virginia’s cigarette tax are summarized below.

### Health Impact of Raising WV Cigarette Tax by 65 Cents

<table>
<thead>
<tr>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current adult smokers who would quit</td>
<td>14,000</td>
</tr>
<tr>
<td>Youth who would not become tobacco-addicted adults</td>
<td>30,300</td>
</tr>
<tr>
<td>Premature tobacco-related deaths avoided</td>
<td>14,800</td>
</tr>
<tr>
<td>Smoking-affected pregnancies avoided over 5 years</td>
<td>2,700</td>
</tr>
</tbody>
</table>

Source: Campaign for Tobacco-Free Kids

West Virginia lags behind the region and nation in reaping the health benefits that tobacco taxes provide. Since 2003, West Virginia has had a state tax of 55 cents on cigarettes and a 7 percent tax on smokeless tobacco products. In the last several years, most other states have aggressively increased tobacco taxes so that the national average is now $1.20 per pack. West Virginia’s cigarette tax is second lowest in the region and in the bottom 20 percent in the nation.

### State Cigarette Taxes per Pack, 2009

<table>
<thead>
<tr>
<th>State</th>
<th>Tax per Pack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>$2.00</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$1.35</td>
</tr>
<tr>
<td>Ohio</td>
<td>$1.25</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$0.60</td>
</tr>
<tr>
<td>West Virginia</td>
<td>$0.55</td>
</tr>
<tr>
<td>Virginia</td>
<td>$0.30</td>
</tr>
</tbody>
</table>

Source: Campaign for Tobacco-Free Kids
Since 2002, 44 states and U.S. territories have increased their cigarette tax rates. Currently, 27 states have a cigarette tax rate of $1.00 per pack or higher. Thirteen states have tax rates at $2.00 per pack or more. New York has the highest rate at $2.75 per pack.\(^{xi}\)

The Tobacco Tax from a Fiscal Perspective

Smoking-related death and disease carry a high cost, not only emotionally for the families coping with such tragedy, but also for the health system and economy at large. Annual health care costs in West Virginia directly caused by smoking total $690 million, of which the state’s Medicaid program pays $229 million. Smoking-caused productivity losses in West Virginia are estimated at $994 million. The state and federal tax burden of smoking-caused government expenditures amounts to $590 per household per year.\(^{xii}\)

In addition to the potential savings in health care and other costs, the revenue gains of a tobacco tax increase are substantial. Based on the fiscal note of the state Tax Department, the proposed 65-cent increase on cigarettes would generate an extra $110 million in revenues. Doubling the smokeless tobacco tax from 7 percent to 14 percent result in an additional $10 million in state fiscal year 2010.

### Fiscal Impact of Raising WV Cigarette Tax by 65 Cents

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional cigarette taxes in first year</td>
<td>$110 million</td>
</tr>
<tr>
<td>Five-year savings on fewer smoking-affected pregnancies and births</td>
<td>$4.6 million</td>
</tr>
<tr>
<td>Five-year savings on smoking-caused heart attacks and strokes</td>
<td>$6.1 million</td>
</tr>
<tr>
<td>Long-term savings in state from decline in adult and youth smoking</td>
<td>$718.5 million</td>
</tr>
</tbody>
</table>

Source: WV Department of Revenue; Campaign for Tobacco-Free Kids

While the revenue benefits are substantial, cigarette taxes are a flawed revenue tool from a tax policy perspective. Not only are cigarette taxes regressive, meaning they fall more heavily on low income people, but they also represent a declining revenue stream that, if used inappropriately, can contribute to structural deficits.\(^{xiii}\)

A second flaw of cigarette taxes as a revenue source is their declining nature. Because cigarette taxes are levied on a per-pack basis rather than as a percentage of the sales price, tax revenues fail to increase along with price increases in periods of economic growth. This means tax revenues associated with cigarette taxes only grow when demand increases or the tax rate increases.\(^{xiv}\) Initial revenue gains associated with raising the tax will also be eroded by declining consumption as tobacco becomes less affordable.
Balancing the Negative Effects of a Tobacco Tax Increase

Because an increase in the tobacco tax falls disproportionately on low-income West Virginians, the tax revenues should be used primarily to benefit them. The Coalition for Tobacco-Free West Virginia, West Virginians for Affordable Health Care, the West Virginia Council of Churches and many other groups support using the tobacco tax revenues to support health care. Because of the state's high federal match for Medicaid, the impact of the tobacco tax could be tripled by investing it in Medicaid. Also, using a portion to fund a State Earned Income Tax Credit or increase child care assistance would assure that low-income West Virginians would benefit from an increase in the tobacco tax.

The declining nature of the tobacco tax to fund government services will present challenges in future years. But these challenges could be met by continuing to increase the tax or by finding alternative sources of revenue (e.g., a soda tax). In any case, the health benefits of a cigarette tax and the opportunity to help thousands of low-income West Virginians with improved health care clearly outweigh the shortcomings of the tax.

The West Virginia Center on Budget and Policy is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families. The Center receives funding from the W.K. Kellogg Foundation, Claude Worthington Benedum Foundation, Sisters of Saint Joseph Charitable Fund, Service Employees Union International 1199, and West Virginia Affiliated Construction Trades Foundation.

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xii Campaign for Tobacco-Free Kids, The Toll of Tobacco in West Virginia.
