

Investing in Tobacco-Free Youth Frequently-Asked Questions



Doesn't a tax correction unfairly target tobacco users and make them shoulder the burden for statewide budget problems?

The total income that the state gets from tobacco taxes is far less than conservative estimates of what tobacco use costs the state. However, to make the tax increase exceedingly fair to tobacco users, better for public health, and more popular among voters, the state must allocate the revenue generated from the correction to fund programs that help Ohioans who use tobacco quit and prevent Ohio kids from starting.

Would the tobacco tax correction hurt poor Ohioans?

Though tobacco companies like to argue this, what really hurts low-income communities disproportionately is smoking-caused disease, disability, death, and the associated costs. Correcting the tax will lead more low-income tobacco users to quit or cutback, reducing the harms and costs to them and their families.

Tax increases help lower-income communities more because lower-income tobacco users are more likely to quit because of tax increases than higher-income tobacco users. Lower-income tobacco users not only save the money they previously paid for tobacco, but they get a tax cut because they no longer pay the taxes they were paying for tobacco. For an average tobacco user, typical savings can be more than \$1,000 per year that can be used for more productive expenditures like food, housing, or savings.

By dedicating the correction to tobacco prevention and cessation, the money could be used for programs and services that help low income smokers quit.

In addition, numerous polls show that there is strong support for tobacco tax increases among lower-income communities, because nobody wants cheap tobacco in their neighborhood.

Will the tax correction provide a reliable source of revenue for tobacco prevention in the future?

After the correction, tax revenues will sharply increase and then slowly decline because of tobacco use rate declines, but those declines will be gradual and completely predictable. State tobacco tax revenues are more predictable and stable than state income tax or corporate tax revenues which can decline sharply because of unexpected economic recessions. Along with the small, gradual declines in tax revenue caused by tobacco use declines, the state will see significant reductions in tobacco use-caused costs. Also, if the money is dedicated to tobacco cessation, as the use declines, the need for cessation services will decline also. Over time these savings will more than make up for any tax revenue reductions.

Doesn't Ohio have more pressing issues than tobacco?

Smoking is the number one preventable cause of death in the state of Ohio, killing over 18,000 Ohioans every year. Smokeless tobacco adds to the death toll.

Tobacco use also worsens some of Ohio's most pressing problems. Tobacco costs the economy almost \$8 billion a year. It hurts employers who are trying to provide healthcare to their employees by driving up healthcare costs. Tobacco use cuts the productivity of their employees and increases their chances of becoming disabled.

In Ohio, annual healthcare costs due to smoking are over \$4 billion dollars, \$1.4 of that being for Medicaid. A portion of Medicaid cost—\$575 million—comes directly from the state budget. Without the expense necessary to cover tobacco-related illnesses, the state program could provide healthcare to more Ohioans who currently go without coverage.

No circumstances should deter us from working toward goals that will save lives and advance toward the goals of reducing healthcare costs and improve the financial health of our state.

Doesn't the Ohio Tobacco Prevention Foundation (OTPF) already have plenty of money in its endowment fund?

The original plan for the OTPF called for an endowment set up using revenue from the Master Settlement Agreement between the tobacco industry and the state. The endowment was to be sufficient for tobacco prevention and cessation program to be provided perpetually with no need for state revenues. Unfortunately, after just one payment, the legislature took the payments over the next years designated for the OTPF for the General Revenue Fund and other purposes. Last year, the legislature sold to investors the rights to the next 40 years of payments with none of the funds going to prevent kids from starting to smoke or helping smokers quit.

Therefore, the OTPF has never been able to spend at the levels that the Centers for Disease Control (CDC) recommended to be effective in tobacco prevention. Even at the mediocre levels of spending it has been able to attain, it has been forced to start spending its endowment. At its present level of spending, the OTPF and the youth in-school prevention programs, community program, and stop smoking help it provides will be out of existence in a matter of years.

Aren't you asking for an excessive amount of money?

To give some perspective to the problem, consider that tobacco costs the Ohio economy almost \$8 billion a year. Tobacco costs the state Medicaid program \$1.4 billion a year. The tobacco industry spends \$724 million a year promoting smoking and chewing tobacco to Ohioans.

The CDC recommends that Ohio spends \$145 million a year on tobacco prevention and cessation programs. We're asking the legislature to dedicate \$50 million. A \$7 billion problem; a \$50 million solution.

Didn't SmokeFreeOhio solve the tobacco problem?

While smoke-free public places laws are primarily about protecting everyone's right to breathe clean indoor air, they also make smokers more likely to quit smoking and youth less likely to start. SmokeFreeOhio will likely help reduce tobacco use in Ohio, but it hasn't solved the problem. Over 22% of Ohio adults smoke, and 20.5% of high school students smoke. More than 20,000 Ohio kids become new daily smokers every year.

Will the tax correction increase smuggling, black markets, and tax avoidance?

Research shows that smuggling and tax avoidance are relatively minor problems, especially compared to the additional new revenues, public health benefits, and smoking-caused cost reductions from state tobacco tax increases. Economic research studies show that state smuggling and tax avoidance revenue losses represent a very small percentage of total sales.

Most users buy a pack or a can at a time. Even those tobacco users that initially try to avoid tax increases soon use up their stockpile purchased right before the increase or tire of driving across the state border and return to the convenience of full-tax purchases in their own state.

Could the tax correction hurt the state's economy by reducing retailer revenues, tobacco sales and related employment?

Money spent on tobacco will not disappear when tobacco sales decline; it will simply be spent on other products or will be used for savings or investments. Economic studies have shown that tax increases do not impact gross retailer revenues and can actually increase employment. Also, tax increases reduce direct public and private smoking-caused costs, further strengthening and improving the state's economy.

Some information taken from: Responses to Cigarette Company Arguments Against State Tobacco Tax Increases, Campaign for Tobacco-Free Kids

Investing in Tobacco-Free Youth Coalition

Protect Children, Save Lives, Reduce Healthcare Costs
1950 Arlingate Lane, Columbus, Ohio 43228, 614-279-1700