

## POLICY 12:

# Cigarette and Alcohol Taxes

**Why Cigarette and Alcohol Taxes Matter.** States can promote safe and healthy communities through effective cigarette and alcohol tax policy. Behaviors such as smoking and alcohol consumption are leading contributors to premature death and disability in the United States.<sup>60</sup> Not only do these behaviors endanger the health of the user, they lead to larger family, community and societal costs, whether through second-hand smoke, injuries from drunk driving, or domestic violence.<sup>61</sup>

Levying state taxes on tobacco and alcohol products is a useful tool for discouraging risky behavior related to drinking and tobacco use. Studies indicate that state taxes on tobacco and alcohol products significantly lower product use, especially among youth and low-wage consumers.<sup>62</sup> For example, research shows that a ten percent increase in the total price of cigarettes can reduce overall cigarette consumption by three to five percent, with much more dramatic reductions in target groups like youth and children.<sup>63</sup>

There is also substantial evidence that tobacco cessation and prevention programs work to reduce smoking. The Centers for Disease Control and Prevention (CDC) provide guidelines about how states can use tobacco tax revenue and settlement funds to help reduce smoking, and to counter investments by tobacco companies to market their products.<sup>64</sup>

**Key State Policy Measures.** To promote healthier families and decrease the costs associated with alcohol and cigarette use, states can levy taxes and invest a portion of earned revenue in treatment and prevention programs.

**12.1 Cigarette taxes.** States have discretion over setting excise taxes on cigarettes and other tobacco products. Every 10 percent increase in the price of cigarettes can provide substantial reductions in smoking, particularly among youth.<sup>65</sup>

### Changes in 2007:

- **Alaska** increased its cigarette tax from \$1.80 to \$2.00.
- **Connecticut** increased its cigarette tax from \$1.51 to \$2.00.
- **Delaware** increased its cigarette tax from \$0.55 to \$1.15.
- **Hawaii** increased its cigarette tax from \$1.60 to \$1.80, as part of a six-stage increase taking place through 2011.
- **Indiana** increased its cigarette tax from \$0.55 to \$1.00.
- **Iowa** increased its cigarette tax from \$0.36 to \$1.36.
- **Maryland** increased its cigarette tax from \$1.00 to \$2.00.
- **Minnesota** increased its cigarette tax from \$1.23 to \$1.49.
- **New Hampshire** increased its cigarette tax from \$0.80 to \$1.08.
- **Tennessee** increased its cigarette tax from \$0.20 to \$0.62.
- **Wisconsin** increased its cigarette tax from \$0.77 to \$1.77.

**12.2 Programs to prevent and treat tobacco use.** To reduce preventable illness and tobacco-related health care costs, states can invest tobacco tax and settlement revenue in prevention and treatment programs. The Centers for Disease Control and Prevention issue guidelines for state investments in this area.

**Changes in 2005-06:** Between fiscal year 2005-06 and 2006-07, states made the following changes in funding for programs to prevent and treat tobacco use (measured as a percentage of spending guidelines issued by the Centers for Disease Control and Prevention).

| Increased Funding    | Decreased Funding | No Change     |
|----------------------|-------------------|---------------|
| Alabama              | Arkansas          | Kansas        |
| Alaska               | Colorado          | Louisiana     |
| Arizona              | Georgia           | Michigan      |
| California           | Illinois          | Missouri      |
| Connecticut          | Kentucky          | Nebraska      |
| Delaware             | Minnesota         | New Hampshire |
| District of Columbia | Nevada            | North Dakota  |
| Florida              | New Jersey        | Oregon        |
| Hawaii               | Ohio              | South Dakota  |
| Idaho                | Pennsylvania      | Tennessee     |
| Indiana              | Rhode Island      | Utah          |
| Iowa                 | South Carolina    | Wisconsin     |
| Maine                | Texas             | Wyoming       |
| Maryland             | Washington        |               |
| Massachusetts        | West Virginia     |               |
| Mississippi          |                   |               |
| Montana              |                   |               |
| New Mexico           |                   |               |
| New York             |                   |               |
| North Carolina       |                   |               |
| Oklahoma             |                   |               |
| Vermont              |                   |               |
| Virginia             |                   |               |

**12.3 Alcohol taxes.** States also can act to discourage excessive alcohol consumption through excise taxes on beer, wine and liquor.

**Changes in 2007:** None

## Cigarette and Alcohol Tax Policy Measures

### Measure 12.1: Cigarette Taxes

How much is the state cigarette tax? *Table reflects policy as of December 2007.*

|                           |   |
|---------------------------|---|
| \$1.01 or more per pack   | Alaska, Ariz., Conn., Del., Hawaii, Iowa, Mass., Maine, Md., Mich., Minn., Mont., N.H., N.J., N.Y., Ohio, Okla., Ore., Pa., R.I., S.D., Texas, Vt., Wash., Wis. |
| \$0.51 to \$1.00 per pack | Ark., Calif., Colo., D.C., Idaho, Ill., Ind., Kan., Neb., Nev., N.M., Tenn., Utah, W.Va., Wyo.  |
| \$0.01 to \$0.50 per pack | Ala., Fla., Ga., Ky., La., Miss., Mo., N.C., N.D., S.C., Va.  |

### Measure 12.2: Programs to Prevent and Treat Tobacco Use

How does the state's investment of its tobacco revenue and tobacco settlement funds into tobacco prevention and treatment compare to CDC guidelines?

*Table reflects policy for Fiscal Year 2007.*

|                                |  |
|--------------------------------|--|
| 100% or more of CDC guidelines | Colo., Del., Maine   |
| 75 to 99% of CDC guidelines    | Alaska, Ariz., Ark., Hawaii, Minn., N.Y., Wash., Wyo.  |
| 50 to 74% of CDC guidelines    | Calif., Md., Mont., N.M., Ohio, Vt.  |
| 25 to 49% of CDC guidelines    | Ind., Iowa, La., Nev., N.C., N.D., Okla., Pa., Utah, Va., W.Va., Wis.  |
| Below 25% of CDC guidelines    | Ala., Conn., D.C., Fla., Ga., Idaho, Ill., Kan., Ky., Mass., Mich., Miss., Mo., Neb., N.H., N.J., Ore., R.I., S.C., S.D., Tenn., Texas |

### Measure 12.3: Alcohol Taxes

How much is the state tax on beer? *Table reflects policy as of January 1, 2007.*

|                             |  |
|-----------------------------|--|
| \$0.46 or more per gallon   | Ala., Alaska, Fla., Ga., Hawaii, N.C., S.C.  |
| \$0.31 to 0.45 per gallon   | La., Maine, Miss., Neb., N.M., Okla., Utah   |
| \$0.16 to \$0.30 per gallon | Ariz., Ark., Calif., Conn., Del., Ill., Iowa, Kan., Mich., Nev., N.D., N.H., Ohio, S.D., Texas, Vt., Va., Wash., W.Va. |
| Up to \$0.15 per gallon     | D.C., Colo., Idaho, Ind., Ky., Md., Mass., Minn., Mo., Mont., N.J., N.Y., Ore., Pa., R.I., Tenn., Wis., Wyo.           |

How much is the state tax on liquor? *Table reflects policy as of January 1, 2007.*

|   |  |
|---|--|
| \$6.00 or more per gallon   | Alaska, Fla., N.M., N.Y.   |
| \$4.01 to \$6.00 per gallon   | Conn., Hawaii, Ill., Mass., Minn., N.J., Okla., Tenn.  |
| \$2.01 to \$4.00 per gallon   | Ariz., Ark., Calif., Colo., Del., Ga., Ind., Kan., La., N.D., Neb., Nev., R.I., S.C., S.D., Texas, Wis.        |
| Up to \$2.00 per gallon   | D.C., Ky., Md., Mo.  |
| Sales controlled by state liquor stores, revenues generated through assorted fees, taxes, and pricing | Ala., Idaho, Iowa, Maine, Mich., Miss., Mont., N.H., N.C., Ohio, Ore., Pa., Utah, Vt., Va., Wash., W.Va., Wyo. |

How much is the state tax on wine? *Table reflects policy as of January 1, 2007.*

|   |   |
|---|---|
| \$2.01 or more per gallon   | Alaska, Fla.  |
| \$1.01 to \$2.00 per gallon   | Ala., Ga., Hawaii, Iowa, Mont., N.M., Tenn., Va., Wash.   |
| \$0.76 to \$1.00 per gallon   | Ariz., Del., N.C., Neb., S.C., S.D., W.Va.  |
| \$0.51 to \$0.75 per gallon   | Ark., Conn., Ill., Mass., Maine, Mich., Nev., N.J., Okla., Ore., R.I., Vt.                              |
| Up to \$0.50 per gallon   | Calif., Colo., D.C., Idaho, Ind., Kan., Ky., La., Md., Minn., Miss., Mo., N.Y., N.D., Ohio, Texas, Wis. |
| Sales controlled by state liquor stores, revenues generated through assorted fees, taxes, and pricing | N.H., Pa., Utah, Wyo.   |

### Selected State Cigarette and Alcohol Tax Policies

| STATE                      | 12.1           |                | 12.2   |                         | 12.3                  |  |
|----------------------------|----------------|----------------|--|-------------------------|-----------------------|--|
|                            | CIGARETTE TAX  |                | TOBACCO PREVENTION/<br>TREATMENT FUNDING AS A<br>% OF CDC GUIDELINES |                         | ALCOHOL TAXES         |  |
|                            | \$/pack        | %              | Beer Tax<br>\$/gallon  | Liquor Tax<br>\$/gallon | Wine Tax<br>\$/gallon |  |
| Alabama                    | \$0.425 [a]    | ↑ 2.6%         | \$0.53   | [f]                     | \$1.70                |  |
| Alaska                     | ↑ \$2.00       | ↑ 76.6%        | \$1.07   | \$12.80                 | \$2.50                |  |
| Arizona                    | \$2.00         | ↑ 91.8%        | \$0.16   | \$3.00                  | \$0.84                |  |
| Arkansas                   | \$0.59 [c]     | ↓ 84.3%        | \$0.23   | \$2.50                  | \$0.75                |  |
| California                 | \$0.87         | ↑ 50.9%        | \$0.20   | \$3.30                  | \$0.20                |  |
| Colorado                   | \$0.84         | ↓ 101.8%       | \$0.08   | \$2.28                  | \$0.32                |  |
| Connecticut                | ↑ \$2.00       | ↑ 9.4%         | \$0.19   | \$4.50                  | \$0.60                |  |
| Delaware                   | ↑ \$1.15       | ↑ 119.4%       | \$0.16   | \$5.46                  | \$0.97                |  |
| District of Columbia       | \$1.00         | ↑ 6.7%         | \$0.09   | \$1.50                  | \$0.30                |  |
| Florida                    | \$0.339        | ↑ 7.1%         | \$0.48   | \$6.50                  | \$2.25                |  |
| Georgia                    | \$0.37         | ↓ 5.4%         | \$0.48   | \$3.79                  | \$1.51                |  |
| Hawaii                     | ↑ \$1.80 [d]   | ↑ 84%          | \$0.93   | \$5.98                  | \$1.38                |  |
| Idaho                      | \$0.57         | ↑ 8.2%         | \$0.15   | [f]                     | \$0.45                |  |
| Illinois                   | \$0.98 [a]     | ↓ 13.1%        | \$0.19   | \$4.50                  | \$0.73                |  |
| Indiana                    | ↑ \$0.995      | ↑ 31.3%        | \$0.12   | \$2.68                  | \$0.47                |  |
| Iowa                       | ↑ \$1.36       | ↑ 33.6%        | \$0.19   | [f]                     | \$1.75                |  |
| Kansas                     | \$0.79         | 5.5%           | \$0.18   | \$2.50                  | \$0.30                |  |
| Kentucky                   | \$0.30 [c]     | ↓ 8.8%         | \$0.08   | \$1.92                  | \$0.50                |  |
| Louisiana                  | \$0.36         | 29.5%          | \$0.32   | \$2.50                  | \$0.11                |  |
| Maine                      | \$2.00         | ↑ 131.3%       | \$0.35   | [f]                     | \$0.60                |  |
| Maryland                   | ↑ \$2.00       | ↑ 61.7%        | \$0.09   | \$1.50                  | \$0.40                |  |
| Massachusetts              | \$1.51         | ↑ 23.4%        | \$0.11   | \$4.05                  | \$0.55                |  |
| Michigan                   | \$2.00         | 0.0%           | \$0.20   | [f]                     | \$0.51                |  |
| Minnesota                  | ↑ \$1.49 [e]   | ↓ 75.8%        | \$0.15   | \$5.03                  | \$0.30                |  |
| Mississippi                | \$0.18         | ↑ 0.0%         | \$0.43   | [f]                     | \$0.35                |  |
| Missouri                   | \$0.17 [a]     | 0.0%           | \$0.06   | \$2.00                  | \$0.30                |  |
| Montana                    | \$1.70         | ↑ 73.7%        | \$0.14   | [f]                     | \$1.06                |  |
| Nebraska                   | \$0.64         | 22.5%          | \$0.31   | \$3.75                  | \$0.95                |  |
| Nevada                     | \$0.80         | ↓ 28.2%        | \$0.16   | \$3.60                  | \$0.70                |  |
| New Hampshire              | ↑ \$1.08       | 0.0%           | \$0.30   | [f]                     | [g]                   |  |
| New Jersey                 | \$2.58         | ↓ 24.4%        | \$0.12   | \$4.40                  | \$0.70                |  |
| New Mexico                 | \$0.91         | ↑ 56.2%        | \$0.41   | \$6.06                  | \$1.70                |  |
| New York                   | \$1.50 [a]     | ↑ 89.2%        | \$0.11   | \$6.44                  | \$0.19                |  |
| North Carolina             | \$0.35         | ↑ 40.2%        | \$0.53   | [f]                     | \$0.79                |  |
| North Dakota               | \$0.44         | 38%            | \$0.16   | \$2.50                  | \$0.50                |  |
| Ohio                       | \$1.25         | ↓ 72.9%        | \$0.18   | [f]                     | \$0.30                |  |
| Oklahoma                   | \$1.03         | ↑ 45.8%        | \$0.40   | \$5.56                  | \$0.72                |  |
| Oregon                     | \$1.18         | 16.3%          | \$0.08   | [f]                     | \$0.67                |  |
| Pennsylvania               | \$1.35         | ↓ 46.2%        | \$0.08   | [f, b]                  | [g, b]                |  |
| Rhode Island               | \$2.46         | ↓ 9.6%         | \$0.10   | \$3.75                  | \$0.60                |  |
| South Carolina             | \$0.07         | ↓ 8.4%         | \$0.77   | \$2.72                  | \$0.90                |  |
| South Dakota               | \$1.53         | 8.1%           | \$0.28   | \$3.93                  | \$0.93                |  |
| Tennessee                  | ↑ \$0.62 [a,c] | 0.0%           | \$0.14   | \$4.40                  | \$1.21                |  |
| Texas                      | \$1.41         | ↓ 5%           | \$0.19   | \$2.40                  | \$0.20                |  |
| Utah                       | \$0.695        | 47.3%          | \$0.41   | [f]                     | [g]                   |  |
| Vermont                    | \$1.79         | ↑ 64.5%        | \$0.27   | [f]                     | \$0.55                |  |
| Virginia                   | \$0.30 [a]     | ↑ 34.7%        | \$0.26   | [f]                     | \$1.51                |  |
| Washington                 | \$2.025        | ↓ 81.3%        | \$0.26   | [f]                     | \$0.87                |  |
| West Virginia              | \$0.55         | ↓ 38.1%        | \$0.18   | [f]                     | \$1.00                |  |
| Wisconsin                  | ↑ \$1.77       | 32.1%          | \$0.06   | \$3.25                  | \$0.25                |  |
| Wyoming                    | \$0.60         | 79.9%          | \$0.02   | [f]                     | [g]                   |  |
| <b>Year Data Collected</b> | <b>2007</b>    | <b>FY 2007</b> | <b>2007</b>  | <b>2007</b>             | <b>2007</b>           |  |

**Data Source:**

- 12.1 Eric Lindblom, “State Cigarette Excise Tax Rates & Rankings.” Washington, DC: Campaign for Tobacco-Free Kids, November 27, 2007.
- 12.2 Campaign for Tobacco-Free Kids, *State Tobacco-Prevention Spending vs. State Tobacco Revenues*. Retrieved December 2007.
- 12.3 Federation of Tax Administrators. “State Beer Excise Tax Rates.” *State Comparisons – State Excise Taxes*. Updated January 1, 2007.  
Federation of Tax Administrators. “State Liquor Excise Tax Rates.” *State Comparisons – State Excise Taxes*. Updated January 1, 2007.  
Federation of Tax Administrators. “State Wine Excise Tax Rates.” *State Comparisons – State Excise Taxes*. Updated January 1, 2007.

**Data Table Notes:**

- a. In these states, counties and cities may impose an additional tax per pack of cigarettes as follows:
  - Alabama: \$0.01
  - Illinois: \$0.10 to \$0.15
  - Missouri: \$0.04 to \$0.07
  - New York: \$1.50
  - Tennessee: \$0.01
  - Virginia: \$0.02 to \$0.15
- b. Pennsylvania imposes an 18 percent tax on the retail price of wine and liquor in addition to a 6 percent sales tax.
- c. In these states, dealers pay an additional enforcement and administrative fee as follows:
  - Arkansas: \$1.25 per 1,000 cigarettes
  - Kentucky: \$0.001 per pack
  - Tennessee: \$0.0005 per pack
- d. Hawaii increased its cigarette tax as one of six incremental increases taking effect through 2011.
- e. Minnesota adds an additional sales tax of \$0.263 to the wholesale price of a tax stamp, and adds a \$0.75 health impact fee.
- f. In these states, the government directly controls the sales of distilled spirits. Revenue in these states is generated from various taxes, fees and net liquor profits.
- g. In these states, all wine sales are through state stores. Revenue in these states is generated from various taxes, fees and net profits.