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The Cigarette Tax: More Support from New Numbers

Jeff Parkey

The numbers surrounding the defeated cigarette tax increase are well-known by now: the \$1.09 billion per year in healthcare costs the state of South Carolina absorbs due to smoking; the \$159 million in revenue from a cigarette tax increase that could have been devoted to mitigating health issues; the \$477 million that the feds would have kicked in as Medicaid matching funds; the one-quarter of South Carolina high school students that smoke, abetted by the nation's lowest tax per pack; the 7% of teens who get priced out of the cigarette market for every 10% rise in pack price; the 43 other states that raised their cigarette tax out of concern for public health and welfare; the \$2 million South Carolina spends annually on anti-smoking efforts; the \$23-62 million that the Centers for Disease Control and Prevention claim the state should be spending on these efforts; the ranking of 42 that the state currently holds in terms of overall healthiness. We should not forget the 5,900 citizens who will die this year in South Carolina because of smoking related disease. Finally, there is the proposed tax of 50 cents per pack that the General Assembly did not enact - a number that appears particularly low when compared to the median state cigarette tax rate of \$1 per pack.

To these numbers we add two more. The first number is 3. A study by the Jim Self Center on the Future at Clemson University shows that is how many times the current cigarette tax of 7 cents per pack needs to be increased to adjust it for inflation. As it turns out, the state's cigarette tax is not worth as much as it used to be. An excise tax, the cigarette tax is levied at a flat rate per pack and has not been increased since 1977. The 7 cent tax rate would need to be 25 cents today simply to keep up with inflation, more than three times its current rate. Healthcare costs are increasing 5.3% a year nationwide, faster than inflation, and spending in health-related areas from the South Carolina general fund has grown even faster, at 5.6% a year. Rising unemployment such as we have today also brings greater demand for state-supported health services, even as overall state revenue is lagging. In the context of these cost increases, an excise tax that does not at least adjust with inflation makes little economic sense for the state.

The next number is 71, the percentage of survey participants in South Carolina who support a higher cigarette tax. *The Self Portrait: How Are We Doing In South Carolina?* is a study of 800 randomly selected participants conducted this past year in a collaborative effort between Clemson University's Jim Self Center on the Future and the University of South Carolina's Institute for Public Service and Policy Research. Respondents from across the state were asked, "Would you favor or oppose an increase in the state tax on cigarettes of 50 cents per pack if these funds were used to improve the healthcare system in the state?" We assessed the demographic makeup of survey participants and found that for every indicator examined, support for a higher cigarette tax remained in the neighborhood of 70%. So whether respondents are 18 or 60, earn \$25,000 or \$75,000 a year, live in the upstate or the lowcountry, there is strong sentiment in favor of this tax increase.

This next legislative session brings another opportunity for the General Assembly to raise the cigarette tax. The economics are there and the survey results from *The Self Portrait* demonstrate broad public support for a higher tax if those funds are used for healthcare purposes. A modest increase in the tax may be just the medicine that the state needs to improve the health status of some of its most vulnerable citizens.

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