

Increasing Tobacco Taxes Results in Lower Health Care Costs

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Tobacco's impact on Indiana

- Indiana has the 2nd highest adult smoking rate (27.3%) in the United States. The national median average is 20.6%.
- Twenty-one percent (21.3%) of high school students smoke.
- In Indiana 18.5% of women smoke during pregnancy. The national average is 11.4%.
- Close to 18,900 babies are born in Indiana each year to a mother who has smoked during pregnancy. The tobacco-related health care costs for these babies are \$20.4 million each year.
- Hoosiers spend \$1.9 billion each year in tobacco-related health care costs.
- Of the billions spent on tobacco-related health care annually, an estimated \$448 million are due to Medicaid costs.
- More than 9,700 Hoosiers die each year from tobacco-related illnesses.

Impact of higher tobacco taxes

- Indiana's tobacco tax is 55.5 cents, ranking 35th in the United States. The average state tobacco tax is 96.1 cents, with taxes ranging from \$2.57 to 7.0 cents.
- Numerous United States Surgeon General reports have concluded that an optimal level of excise taxation on tobacco products will reduce smoking rates, tobacco consumption and the long-term health consequences of tobacco use.
- Raising state cigarette taxes always reduces smoking rates and always increases state revenue.
- Economic research studies report that every 10% increase in the real price of cigarettes reduces adult smoking by about 4% and teen smoking by roughly 7%.

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Impact of higher taxes on youth smoking

- There is strong evidence that youth are more responsive to price increases than adults.
- Youth are up to three times more sensitive to price than adults, while younger adults (18-24) are about twice as sensitive to price than older adults.
- Recent studies conclude that the greatest impact of price increases is in preventing the transition from youth experimental smoking to regular (daily) smoking.
- Considering 90% of smokers start as teenagers, a group highly sensitive to price, higher taxes can sharply reduce youth smoking. A reduction in youth smoking will influence a long-term decrease in adult smoking.

Increasing Indiana's cigarette tax 50-cents will...

- Fewer Hoosiers smoking: 24,000 adults and 51,400 youth
- Thousands of Hoosier youth saved from an early death by not smoking – 16,400 youth
- Produce healthier babies, as fewer women will smoke during pregnancy
- Save more than \$ 1 billion from long term health savings and increase in state revenue of \$206 million

Increasing Indiana's cigarette tax \$1.00 will...

- Fewer Hoosiers smoking: 48,100 adults and 102,900 youth
- Thousands of Hoosier youth saved from an early death by not smoking – 32,900 youth
- Save more than \$ 2 billion from long term health savings and increase in state revenue of \$339 million

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Sources: 2005 Behavior Risk Factor Surveillance Survey; 2004 Indiana Youth Tobacco Survey; 2004 National Youth Tobacco Survey; Centers for Disease Control and Prevention. Sustaining States for Tobacco Control- Data Highlights-2004; 2003 Indiana Birth Certificate data; Campaign for Tobacco Free Kids <http://www.tobaccofreekids.org/research/factsheets/pdf/0148.pdf>; Chaloupka F. and Pacula R. "An examination of gender and race differences in youth smoking responsiveness to price and tobacco control policies," National Bureau of Economic Research, 1998; Tauras et al, "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis