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Testimony Regarding Tobacco Tax Provisions in HB49
Ohio House Ways and Means Committee
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Chairman Schaffer, Ranking Member Rogers, and members of the House Ways & Means Committee – I am Jeff Stephens with the American Cancer Society Cancer Action Network, and I thank you for the opportunity to provide testimony on the tobacco tax provisions of HB 49.

It is hard to ignore the tobacco problem in Ohio. Our smoking rate is 21.6 percent and is the 8th highest in the nation. 15.1 percent of our high school students smoke. Each year 7,100 kids under the age of 18 become new daily smokers. The current smoking rate among our Medicaid population is over 40 percent.

Tobacco use remains the single largest preventable cause of disease and premature death. Over 30% of Ohio's cancer deaths – that was 7,598 deaths in 2014 – are directly attributable to tobacco use. Add in the deaths from all diseases attributable to smoking, and the number of annual deaths climbs to 20,200 lives lost to tobacco use each year in Ohio if current trends are allowed to continue.

In addition to lives lost, there is also a huge financial burden from tobacco use.

Annual health care costs from smoking exceed \$5.6 billion in Ohio and Ohio's Medicaid program spends \$1.72 billion each year to treat smoking related diseases. Smoking-caused productivity losses in the state total nearly \$5.9 billion.

It is estimated that each Ohio household pays \$1,058 each year in state and federal taxes for smoking-caused government expenditures.

The toll of tobacco use in Ohio is great. However, we know **exactly** how to combat the problem and reduce tobacco use.

Over 50 years of implementing evidence-based policy interventions across the United States has demonstrated that increasing tobacco taxes is one of the most effective ways – if not **the** most effective way -- to reduce tobacco use, particularly when implemented alongside other comprehensive tobacco control strategies such as 100% smoke-free laws and fully-funded, evidence-based state tobacco control programs. According to the Institute of Medicine, the U.S. Surgeon General, and the World Health Organization, tobacco tax increases are a highly effective means of reducing tobacco

use. Increasing the price of tobacco products through state excise tax increases improves health outcomes by preventing smoking initiation, promoting smoking cessation, and reducing the prevalence and intensity of tobacco use by teens and adults. In fact, tobacco companies have repeatedly admitted in their own corporate documents that tobacco taxes are a significant deterrent to youth consumption and an incentive to adult quitting and therefore pose a serious external threat to tobacco industry sales volumes and profits.

The American Cancer Society Cancer Action Network, and all the partner organizations that have stood with us over the years, will continue to frame this conversation as it should be – tobacco’s impact on Ohioans’ health. We will continue to ask for enactment of the meaningful public policies that will reduce tobacco use in Ohio.

When faced with mounting evidence that tobacco tax increases effectively reduce tobacco use, we have seen tobacco manufacturers try to distract policymakers from the material facts by invoking dire warnings of reduced revenue due stemming from tax evasion, tax avoidance, or black market activity that they claim will result from increased taxes on cigarettes and other tobacco products. Big Tobacco will try to reframe the argument as something other than the health of Ohioans in an effort to protect its customer base and continue its attempts to attract new customers.

It is important to realize that the tobacco industry and its allies are being intellectually dishonest when they say tobacco tax increases will lead to reduced state revenues because of widespread cigarette smuggling, other black market activity, and cross-border sales. Consider the real facts: every state that has significantly increased its state cigarette tax has also boosted its state revenue, despite the beneficial declines in consumption resulting from the tax increase, and regardless of any related tax avoidance, tax evasion, or illicit activity. Even large-scale tobacco tax increases are effective in reducing tobacco consumption while also generating new revenue, despite being surrounded by lower-tax states.

For example, in Minnesota, in the year immediately following the state’s \$1.60 per pack cigarette tax increase in 2013, revenues increased by more than \$204 million, pack sales declined by 54.6 million packs, and adult and youth smoking rates were showing sharp reductions in the state. At the time, this cigarette tax increase of \$1.60 per pack was tied for the highest single cigarette tax rate increase ever implemented by a state in the U.S., and when it went into effect in 2013, Minnesota shared a border with two states whose cigarette tax was in excess of \$1.00 per pack less (Iowa and South Dakota) and one state whose cigarette tax rate was more than \$2.00 less (North Dakota). While it is true that any tax evasion and smuggling that does occur will tend to reduce the ultimate extent of revenue gains, these types of tax avoidance and evasion activities do not come close to eliminating all the new revenues or seriously impacting the health gains that are achieved when states increase tobacco taxes by significant amounts.

We also want to highlight for you that not all tobacco tax increases will be equally effective at reducing tobacco use. All tobacco products should be taxed equally and included equally in tax increase legislation in order to encourage tobacco cessation and minimize switching to other types of lower-cost tobacco products. And, very importantly, the amount of tax increases must be significant. You may not realize that the vast majority of cigarette and other tobacco marketing is not spent on print or other visual ads – it's price promotions, and the tobacco industry is well aware that it can largely offset the positive impacts of otherwise small tobacco tax increases with discounts and coupons designed to keep current tobacco users addicted and to entice youth and young adults with continued availability of low-priced products.

Based on the most recent (2016) FTC reports which track 2014 data, the tobacco industry spent \$9.1 billion on marketing expenditures in the U.S. designed to attract new, young users and keep current tobacco users addicted. That's \$25 million per day or more than \$1 million per hour across the United States. And based on estimates from these same FTC reports, the tobacco industry spends \$420 million per year on marketing in Ohio – that's over \$1 million per day in Ohio alone!

Spending on **price discounts** remains the largest category of marketing expenditures for both smokeless tobacco and cigarettes. Price discounts for cigarettes accounted for 79.7% of total cigarette company marketing expenditures, and from 2013 to 2014, expenditures on price discounts on smokeless tobacco increased from 56.2% to 59.5%. As just one type of price discount, from 2013 to 2014, tobacco industry spending specifically on **coupons** for cigarettes they sell more than doubled, and increased by 27% for smokeless tobacco.

These price-based promotional marketing schemes by the tobacco industry reduce the retail cost of deadly and addictive consumer products, strategically targeting price-sensitive tobacco users and effectively counteracting the impact of low-level tobacco tax increases and related price hikes. **It is for this reason that The American Cancer Society Cancer Action Network asks you to raise the cigarette tax significantly - by \$1.00 per pack - and to equalize the tax on other tobacco products.**

We must not allow Big Tobacco to reframe this conversation. The health of Ohioans and the burden of tobacco use on our collective health care costs should be the driving criteria for your public policy decisions. We need to place a priority on urgently reducing the impact of tobacco use for the 20,200 Ohioans that will die from tobacco-related diseases this year. We need to place a priority on mitigating the costs to our health care system that all Ohioans subsidize. Please don't be distracted.

We cannot afford to miss this opportunity to reduce tobacco use in Ohio. The reduction of tobacco use will make Ohio more economically attractive and competitive. By reducing our tobacco use rates and making the state healthier, the savings to the health care system will be billions of dollars and the savings to Ohio's families—priceless.