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DON'T BUY THE REGRESSIVITY ISSUE

Even though tobacco manufacturers didn't worry about the regressive effect of cigarette prices when they raised the retail price of major brands of cigarettes by \$14.95 since 1994, they are now urging the legislature to not raise cigarette taxes by \$.35 cents because of its regressive nature!

Are cigarette taxes regressive? Yes...

Tobacco manufacturers have applied three strategies to overcome the otherwise regressive effects of cigarette taxes:

1. In the last year, 25 states have raised taxes. The weighted average tax in the nation today is \$.66 (predicted to be \$.75 in '03).^{*} Guess the amount of discounts the tobacco companies are giving to retailers...\$6.50-\$10.00!!! Therefore, the tobacco companies provide discounts to offset tax increases ...to keep people smoking! Since our tax is only \$.35, Nevada smokers have been supported by this national strategy.
2. Tobacco manufacturers introduced "generic brands" of cheaper cigarettes. You can buy a generic carton for the same price you could purchase a carton of Marlboros 13 years ago!!! For the poor, generic brands are a low cost option that discounts far beyond any cigarette tax, compliments of tobacco manufacturers.
3. If you are really poor....or cheap....you can smoke roll your own cigarettes for the equivalent of \$.75 per pack. Roll your own represents 25% of consumption in some European Counties??

These facts overcome the regressive nature of cigarette taxes.

Two reasons why cigarette tax increases are the most frequently raised tax in America today:

1. The spiraling costs associated with treating sick smokers demands a Health Care Policy which allows smokers to start paying for their choice of smoking. Legislators should consider no longer supporting the huge general fund expenditures caused by a minority smoking population. For example, the general fund costs to Medicaid directly attributed to smoking is \$96 million per year.* Good Health Care Policy and Good Tax Policy converge here to a fairness issue, a financial issue, a tax strategy...smokers must pay for their poor choices.
2. Smoking is first and foremost a luxury tax. Adam Smith considered tobacco taxes a "luxury tax" because "no-one is obliged to pay this tax". It is not a necessity. Neither is one obliged to purchase cigarettes already rolled by a manufacturer. This tax is a choice, it is a luxury, some call it a "sin" tax...it is also a fair tax. The tax rate is fair to non-smokers when it offsets the cost of the problems it generates.

Cigarette taxes are fair, long overdue, easy and inexpensive to implement

* Philip Morris

** CDC

ASSEMBLY COMMITTEE ON TAXATION
DATE: 4/29/03 ROOM: 4100 EXHIBIT C
SUBMITTED BY: Paula Berkley

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