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Testimony in Support of SB 376 22 March 2018

Chairperson Tyson and members of the Committee. My name is Tracy Russell and I am the Government Relations Director for the American Heart Association.

We are committed to improving the cardiovascular health of all Kansans and tobacco use runs counter to our efforts. Smoking continues to be the leading preventable cause of death in Kansas and there is very strong evidence that increased cigarette taxes drive consumption down – particularly among youth. That is why we encourage you to approve SB 376, which increases the cigarette tax by \$1.50 per pack and applies an equitable tax to other tobacco products as well.

There are very few revenue enhancement options before you that also provide a proven health benefit. The tobacco tax is one of those options. Evidence is clear that significant tax increases on tobacco products are effective in driving down smoking rates and deterring youth from ever starting the deadly habit of smoking. This evidence is why the tobacco industry works so hard to oppose tobacco tax increases.

Let me share a few comments to illustrate my point. These comments are direct quotes from industry sources that were revealed in documents released during litigation against the tobacco companies.

- Philip Morris: *"A high cigarette price, more than any other cigarette attribute, has the most dramatic impact on the share of the quitting population...price, not tar level, is the main driving force for quitting."*
- RJ Reynolds: *"If prices were 10% higher, 12-17 incidence [youth smoking] would be 11.9% lower."*

It is important that any tax increase you consider on tobacco must be significant to achieve a health benefit. The tobacco industry has consistently engaged in efforts to use discounting, couponing and other tactics to blunt the impact of smaller increases from reaching the consumer. An increase of \$1.50 per pack will accomplish the goal of reducing tobacco usage rates AND provide the state with new revenue.

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As you deliberate during the session you have an opportunity to not only raise needed revenue that could be used to finance the educational needs of our kids, but do so in a way that provides lasting health benefits for kids as well. I will repeat something I said earlier. There are very few options you have to generate new revenue that simultaneously provide a lasting health benefit. An increased tobacco tax is one of those options.

Imagine the benefit to Kansas when fewer kids start to smoke. Imagine the benefit to Kansas when fewer low-birthweight pregnancies occur due to smoking. Imagine the benefit to Kansas when more people quit smoking and embark on a healthier lifestyle free from tobacco. Imagine the benefit to Kansas when smoking rates decline and the incidence of death and disability from chronic disease declines as well.

In addition to my formal remarks, I have attached the most common objections to raising the tobacco tax and why these objections do not withstand scrutiny.

I appreciate your consideration and urge you to significantly increase the tobacco tax in Kansas.

The Facts About Tobacco tax

Myth: Tobacco tax revenue is unreliable because it will drive down use and the corresponding revenue if it works as intended.

- **Fact: The primary benefit of a price increase is that fewer Kansans will smoke. Even with reduced use, the difference in the amount of money generated by the increase more than makes up for fewer packs sold. From FY 2006 through FY 2017, cigarette tax revenue has met or exceeded consensus revenue estimates in every year but one. In that one year, the actual revenue fell short by only \$179. In contrast, sales tax failed to meet estimates in eight of the twelve years. Use tax came up short in seven of the twelve years and liquor enforcement tax also didn't meet estimates in 7 years.**
- **Fact: In every state that has passed a tobacco tax, more revenue has been generated than prior to the tax increase. Kansas is no exception. After the 2015 increase, Kansas revenues increased nearly \$50 million. The trendline follows the pattern forecasted by tobacco control experts.**

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- **As usage goes down, tax revenues gradually and predictably decline. In FY 2017 there has been some decline in revenue but the state still realizes \$42 million more than in the year prior to the tax increase. More importantly, increased tobacco taxes reduce use, leading to better health outcomes and reduced health care expenditures on smoking-related illness.**

Myth: Tobacco tax revenue is unreliable because an increase will drive cross-border sales.

- **Fact: Most smokers purchase cigarettes one pack at a time, hoping it will be the last pack, as a high percentage would like to quit. There is no data to indicate that they travel longer distances out of the normal routine for tax savings. After the last tax increase in Kansas, statewide tobacco sales in Missouri only increased by 2.4 percent. Jackson County, where you would expect the most substantial border activity, only registered a .7 percent increase. In the first month of the tax increase, Jackson County sales actually declined. All of Missouri's bordering states have higher tobacco taxes yet tobacco sales in Missouri are not increasing. With the lowest tobacco tax in the nation, any cross border activity has most likely already occurred.**

Myth: It is unfair for the state to profit off tobacco use.

- **Fact: Kansas taxpayers subsidize tobacco use, they do not benefit from it. Within KanCare alone, the cost to taxpayers for smoking-related illness is over \$237 million annually. If the cost of tobacco use were assessed as a per pack tobacco tax, that tax would be \$7.32 per pack.**

Myth: It is unfair to target one product for a tax increase.

Fact: Smoking is the most preventable cause of death. Raising the cost of cigarettes is one of the most effective ways to drive down use and keep people from ever starting. In Kansas, 9,000 premature smoking-caused deaths could be prevented and 13,900 kids would never become adult smokers with a \$1.50 per pack tax increase.

Myth: Convenience Stores will suffer if the tobacco tax is increased.

Fact: Consumer buying habits suggest that money that is no longer spent on tobacco products is shifted to other purchases. This discretionary spending is

not simply eliminated because a tax increase reduces the purchase of cigarettes. Even a study conducted by convenience stores in 2015 concluded that “solely catering to a declining core purchaser (cigarettes, beer, hot dogs) is not a growth strategy.” In a study of convenience store employment that covered tobacco tax increases in all states over thirteen years found no evidence of declining employment. There is no proven correlation that decreased tobacco consumption adversely impacts convenience stores.

Myth: A lower tobacco tax increase is a reasonable compromise.

Fact: Only a substantial tax increase drives down tobacco initiation and consumption, saving lives and reducing health care costs. Kansans recognize this and when voters were polled, 69 percent supported a \$1.50 increase in the cigarette tax. Big tobacco can offset the impact of small tax increases through couponing strategies.

Myth: This proposal is too high of an increase on other tobacco products (OTP).

Fact: There has never been an increase on OTP tax rates in Kansas since the tax was originally imposed in 1972. Kansas ranks last among neighboring states taxing OTP at % of wholesale price, tied with Missouri at 10%. We also rank last in the nation for the length of time that has gone by with no adjustment in the OTP tax. Kansas high school boys use OTP (cigars) at a higher rate than the national average at 14.7% and much higher than the Kansas teen cigarette smoking rate of 10.2%. Raising the cigarette tax without addressing OTP could lead to a shift to OTP as a cheaper tobacco alternative.

Myth: Tobacco tax increases are unfair to the poor.

Fact: Tobacco use is unfair to poor Kansans. Low-income Kansans bear a disproportionate burden of tobacco-related illness. This population is more likely to smoke, less likely to have access to care, and more likely to be targeted through marketing by big tobacco. A one pack per day smoker spends an average of \$2,000 per year on cigarettes. Low-income smokers are much more likely to quit smoking if the cost to do so increases. The legislation calls for an investment of an additional \$5 million annually for prevention and cessation to help this population and all Kansas smokers quit.