



# Board Of Equalization

Legislative and Research Division  
Research and Statistics Section  
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Conference Committee Informational Hearing  
Public Health Impacts of Tobacco Use in California: Problems & Solutions

Elihu Harris State Building  
Oakland, California  
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# California Cigarette Excise Tax Rate per Pack: \$1.88

## Federal Excise Tax Per Pack of Cigarettes

- 2000: \$0.34
- 2002: \$0.05
- 2009: \$0.62
- **Current Total: \$1.01**

## State Excise Tax Per Pack of Cigarettes

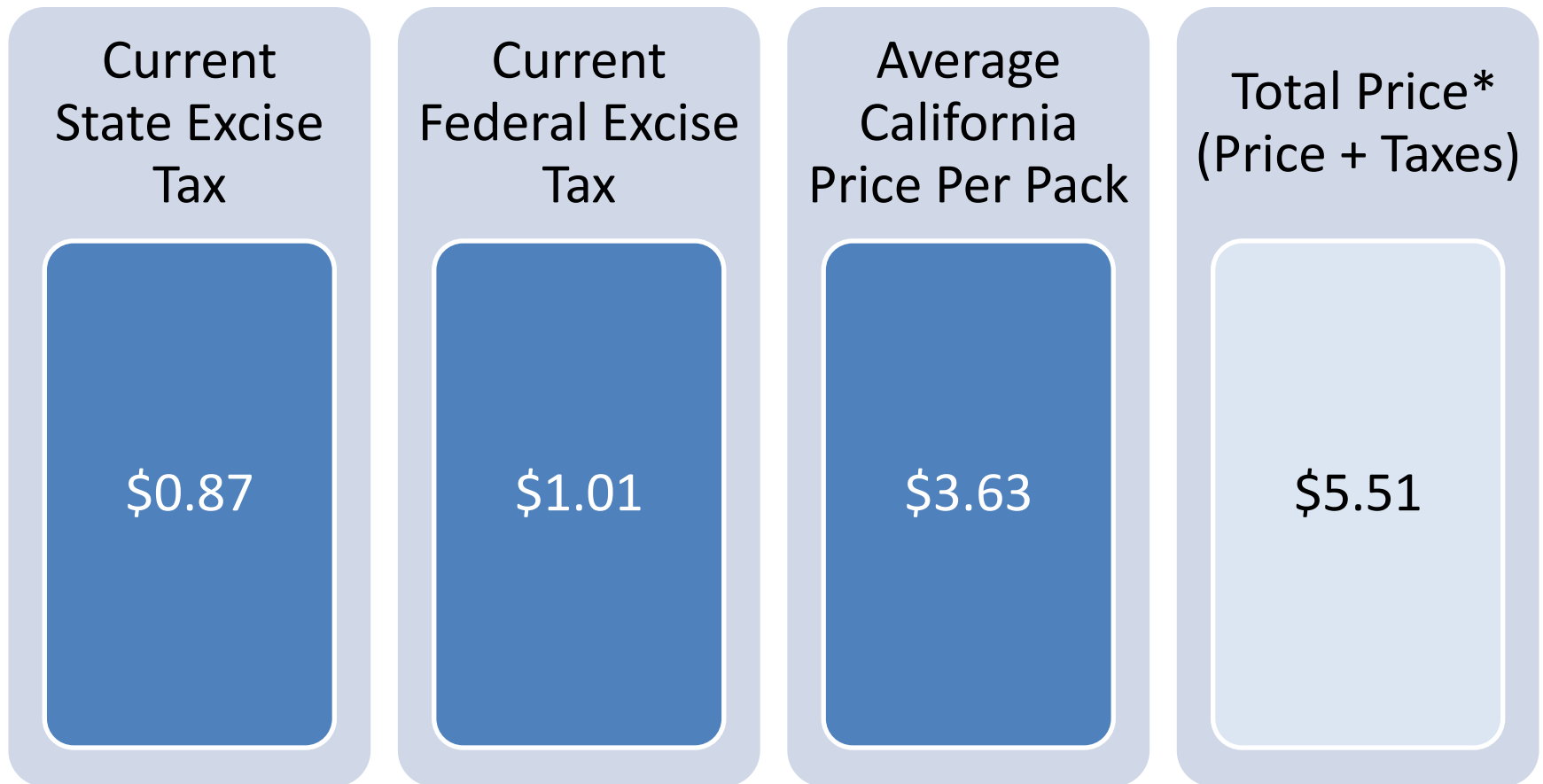
- 1988: \$0.10 (Prior to 1989)
- 1989: \$0.25 (Proposition 99)
- 1994: \$0.02 (Breast Cancer and Early Detection)
- 1999: \$0.50 (Proposition 10)
- **Current Total: \$0.87**

## 2013-14 Cigarette Revenue/Consumption

- Revenue: \$752M
- State Tax Paid Sales (Packs): 870.7M
- Long term trend shows a 3% annual decline in consumption



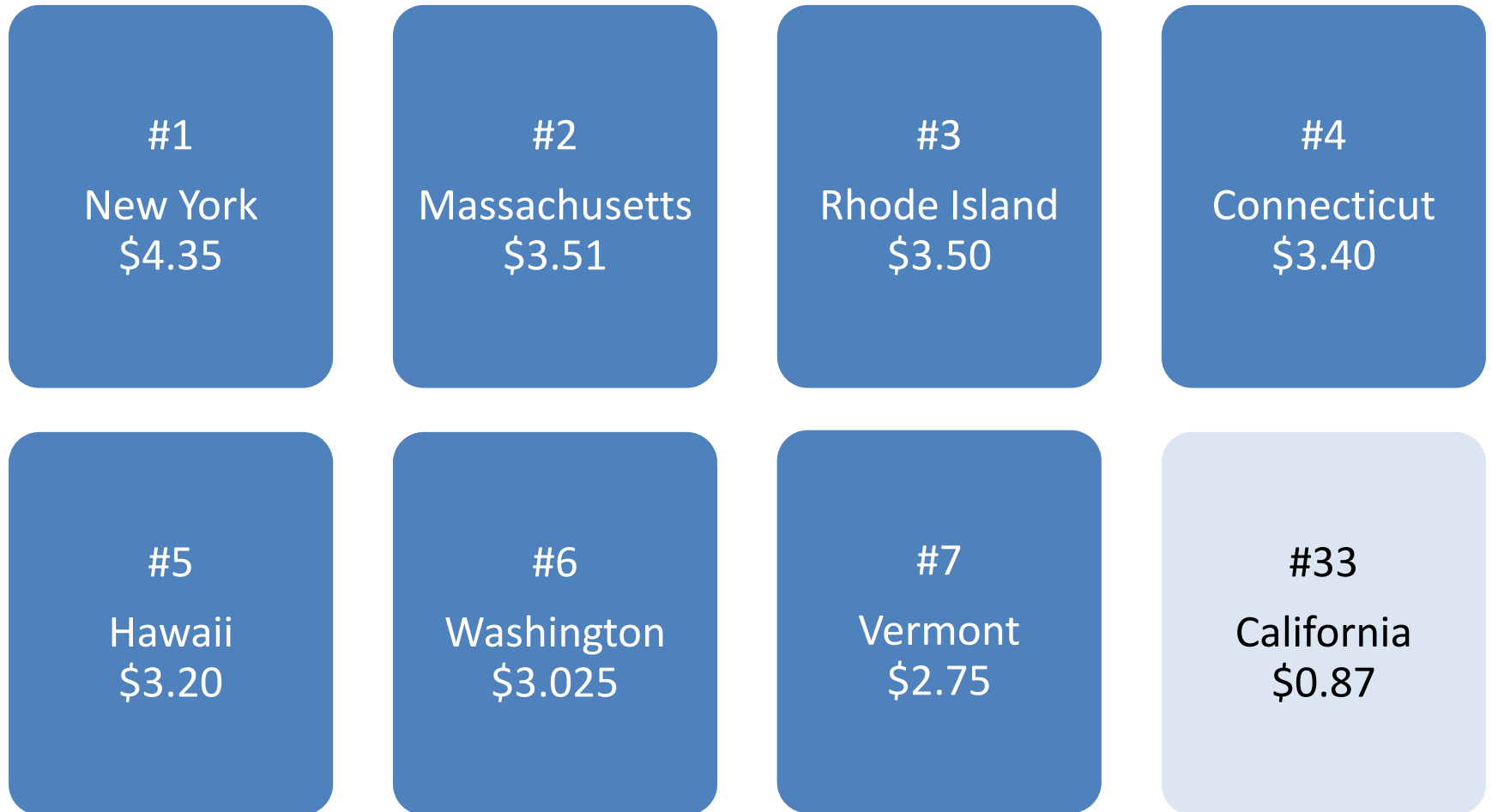
# Total Cost of a Pack of Cigarettes in California (2014)



*\*State and Federal Excise Taxes account for 34% of the price of a pack of cigarettes.*



# Ranking State Cigarette Excise Tax Rates (2014)



*Does not include Retail Cigarette Price, Federal Excise Tax, or Local Tax Rates.*



# Consumption is Declining

$\frac{1}{2}$  is due to fewer new smokers & current smokers quitting.

## Price

- 10% increase in total price =  
3-7% decrease in over age 18 consumption  
5-15% decrease in under age 18 consumption

## Health

- More smokers are quitting
- Fewer people are taking up smoking

## Less Smokers

- California Adults 1985: 26.7%
- California Adults 2013: 12.5%

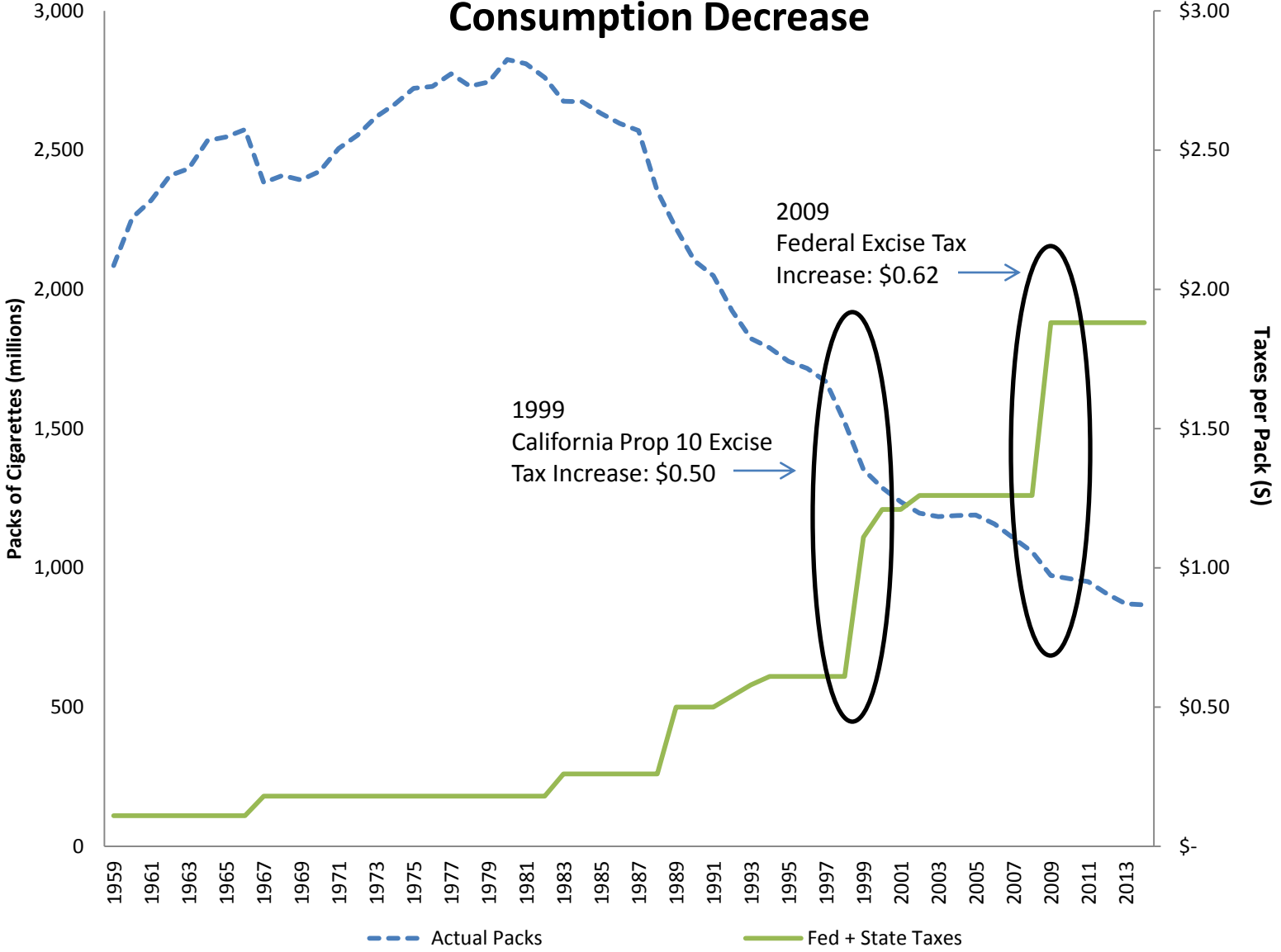
$\frac{1}{2}$  is due to smoking less cigarettes

## Smoking Less Cigarettes

- Increase in smoking restrictions
- Switching to other products
- Price



# Correlation Between Tax Increase & Consumption Decrease



# California Cigarette & Tobacco Evasion

2005

\$276M

> 15% of retail inspections  
resulted in seizures of  
unstamped or counterfeit  
stamps

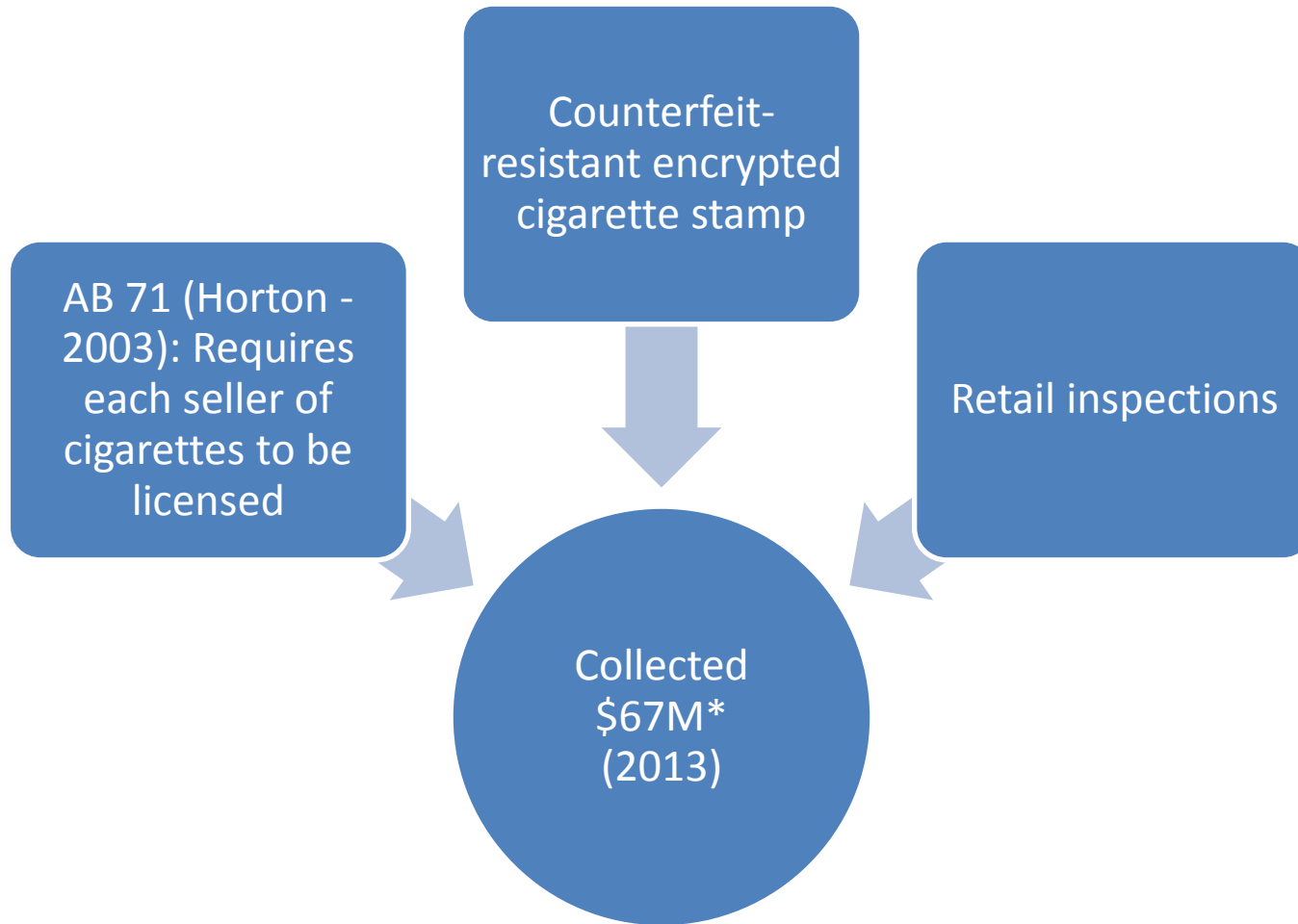
2013

\$214M

< 1% of retail inspections  
resulted in seizures of  
unstamped or counterfeit  
stamps



# BOE's Three-Prong Anti-Evasion Success



*\*Represents revenue that would have been be evaded if the Three-Prong Anti-Evasion approach was not implemented.*





# Conclusion

## Current

- 3% Annual decline in consumption
- Fewer new smokers & more smokers quitting

## Tax Increase

- Further decreases cigarette consumption
- Increase in evasion

## Combat Evasion & Increase Voluntary Compliance

- AB 71 (Requires sellers to be licensed)
- Encrypted cigarette stamp
- Strong retail inspections

## \$2.00 Excise Tax Increase per Pack

- Potential 20% decrease in cigarette consumption (Includes fewer new smokers, more smokers quitting, and increase in evasion)

