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Cigarette sales fall after tax kicks in

North Carolina's higher tobacco tax -- an increase of 30 cents -- helps put an 18 percent dent in purchases

CATHERINE CLABBY, Staff Writer

A higher tobacco tax in North Carolina is pushing cigarette sales down, state public health leaders say.

Cigarette sales fell as much as 18 percent during the first 10 months after the tax increase, they say. But public coffers didn't suffer. An elevated tariff raised an extra \$110 million compared with the same period the previous year.

"This is very, very predictable," said State Health Director Leah Devlin. "One of the most strategic tobacco controls out there is a tobacco tax. It's a nice benefit that it raises revenue."

Despite this state's historic ties to tobacco farming and cigarette manufacturing, the General Assembly increased the state cigarette tax from 5 cents to 30 cents starting Sept. 1, 2005. An additional 5 cent increase went into effect in July.

Anti-smoking activists wanted a bigger increase -- some called for 75 cents -- and cigarette companies didn't want one at all. Public health advocates used other states' experiences to sell the higher tariff to legislators.

Nationally, price increases have dampened cigarette sales, especially among teenagers. But with higher taxes, state revenues collected from smokers haven't fallen.

Here, the sale of cigarette packs declined from an estimated 574 million between Sept. 1, 2004, and June 2005 to 467 million in the same period a year later. The estimate is based on tax receipts, not actual sales -- the only way it can be tracked, said Sally Herndon Malek, head of the N.C. Prevention and Control Branch.

States across the country have raised cigarette taxes in recent years, according to the Campaign for Tobacco-Free Kids in Washington, D.C. Between 1997 and 2003, the average cost of cigarettes doubled and smoking by young people younger than 18 plunged by 40 percent.

"For every 10 percent increase in price, you get between a 4 and 7 percent drop in consumption, with the largest impact on youth," Malek said. "That's for a couple of reasons. They are not yet addicted, so it's easier for them to drop the habit. And they have less disposable income and are more price-sensitive."

A growing number of young people in North Carolina have apparently already wised up to

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CONTRASTING TAXES

AVERAGE IN ALL STATES: \$1.00 per pack

MAJOR TOBACCO STATES' AVERAGE: 26.5 cents per pack

OTHER STATES' AVERAGE: \$1.09 per pack

FIVE HIGHEST CIGARETTE TAXES:

1. New Jersey: \$2.58
2. Rhode Island: \$2.46
3. Washington: \$2.025
4. Maine, Arizona, Michigan: \$2.00
5. Alaska: \$1.80

FIVE LOWEST CIGARETTE TAXES:

1. South Carolina: \$0.07
2. Missouri: \$0.17
3. Mississippi: \$0.18
4. Tennessee: \$0.20
5. Kentucky, Virginia: \$0.30

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the dangers of smoking, which remains the leading cause of preventable death in the United States. Smoking rates among the state's middle school students dropped from 9.3 percent in 2003 to 5.8 percent in 2005, reports the N.C. Health and Wellness Trust Fund. High school rates fell from 27.3 percent to 20.3 percent in the same period.

About one adult in five in North Carolina smokes.

Devlin, the health director, said health problems caused by cigarettes, such as heart and lung disease, lead to higher medical costs. By one calculation, each package of cigarettes a person smokes can result in \$7.18 in future health-care costs, she said.

"From a health impact position, the higher the tax, the better the outcome," Devlin said.

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