

TOBACCO TAX ACT OF 2006 — BENEFITS TO LOWER INCOME CALIFORNIANS AND THEIR FAMILIES

BACKGROUND

Because smoking levels are highest among people with low incomes, cigarette companies argue that tobacco tax increases are regressive taxes that penalize lower income persons disproportionately. In reality, it's the harms from smoking that are regressive with lower income communities already suffering disproportionately from smoking-caused healthcare costs and related disease, disability and death.

An investigation of the impact of the \$2.60 tobacco tax increase contained in the Tobacco Tax Act of 2006 reveals that lower income Californians will benefit disproportionately from the tax through quitting or cutting back their consumption of tobacco and by receiving benefits from the programs funded by the tax.

FACTS

- Smokers with family incomes below the national median are four times as likely to quit when cigarette prices go up as compared to those with higher incomes. (Centers for Disease Control, MMW R47(29):605-609, July 31, 1998.)
- Those who quit or cut back on smoking because of the tax, won't pay it or will pay less of it. One estimate projects that there will be a 42.9% reduction in youth smoking from the \$2.60 tax. (Campaign for Tobacco Free Kids, "Projected Public Health Benefits & Related Cost Savings From a \$2.60 Cigarette Tax Increase in California" March 2006.)
- Lower income Californians understand the benefits they will receive from the Tobacco Tax Act of 2006. Sixty-five percent of voters with household incomes less than \$30,000 support the \$2.60/ pack tax. Similar support is found in higher income brackets. (Fairbank Maslin Maullin & Associates California Tobacco Tax Survey, February 2006.)
- Given the higher portion of low income smokers who will quit or cut back, lower income smokers as a group may actually reduce their overall expenditure on cigarettes as a result of this tax. The extra income available in lower income households where smokers quit will provide an important benefit which might barely be noticed in higher income homes.
- Where the tax revenues are spent to promote the health and well-being of low income families, low income smokers will enjoy those benefits as well. Some will continue to smoke, but their family members and friends may cut back or quit, and their kids may be spared a life of addiction.
- Low income families, including smokers, will benefit most from the many healthcare programs funded by the initiative, including, but not limited to:
 - \$758 million for emergency rooms that provide a disproportionate share of care to those who can least afford to pay for emergency medical care;
 - \$118 million to cancer programs (breast, prostate and colorectal) designed to serve uninsured and underinsured low income participants.
 - \$8 million to the Steve Thompson Fund placing doctors in underserved rural areas;
 - \$58 million to community clinics serving low income/uninsured Californians;
 - \$371 million providing health insurance to 800,000 low-income children.