
OFFICE OF GOVERNOR RONNIE MUSGROVE
INTEROFFICE MEMORANDUM

TO: GOVERNOR
FROM: SMITH
SUBJECT: TOBACCO EXCISE TAX
DATE: 01/11/02
CC: MAYO, RENICK, PHILLIP

I have attached two documents and a USA Today article that I received this week related to generating state revenue by increasing tobacco excise tax. The following are highlights:

Mississippi is one of a handful of states that have not raised the excise tax on tobacco in the last 17 years (since 1985). The current tax in Mississippi is 18 cents per pack, placing ours as the 39th lowest tax in the Nation. The national average is 44.5 cents per pack.

70% of Mississippians do not smoke and this tax will not place any financial burden on them.

80.7% of Mississippians support an increase in tobacco taxes. (Social Climate Survey, 1999-2000, MSU Social Science Research Center).

Numerous economic studies have documented the health impact of cigarette tax increase. These studies indicate that for every 10% increase in the price of cigarettes, overall smoking is reduced by 4% -7% for children and 3-5% for adults.

Indiana Governor Frank O'Bannon recently unveiled a proposal for a 50-cent tax increase on cigarettes. His proposal follows the actions of other states that recently implemented excise tax increases on cigarettes-and seen significant results. In one year New York raised \$352 Million in state revenue by increasing tobacco excise tax by 55 cents per pack. New Jersey increased tax by 40 cents per pack and generated \$167 Million.. In November, Washington voters approved legislation making its excise tax the highest in the nation at \$1.425 per pack.

Now, statewide coalitions in Illinois, Maryland and New Hampshire are part of a growing trend of grassroots efforts to increase state tobacco taxes.

Increasing tobacco taxes is especially effective in preventing youth from starting to smoke. Studies show that a 10% increase in price results in a 7% decrease in youth tobacco consumption.

I have discussed this issue briefly with Bill. I realize that you may not want to touch this since it relates to raising taxes, but I wanted to run it by you.

Thanks.