

**Testimony before the Massachusetts Joint Committee on Revenue
Regarding the Cigar and Cigarette Tax
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Taxpayers Protection Alliance
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Chairwoman Moran, Chairman Cusack, Vice-Chairs and Members of the Joint Committee:

Thank you for your time today to discuss increasing the state excise tax on cigars and cigarettes. My name is Lindsey Stroud and I'm Director of the Consumer Center at the Taxpayers Protection Alliance (TPA). TPA is a non-profit, non-partisan organization dedicated to educating the public through the research, analysis, and dissemination of information on the government's effects on the economy. TPA's Consumer Center focuses on providing up-to-date information on adult access to goods including alcohol, tobacco, and vapor products, as well as regulatory policies that affect adult access to other consumer products, including harm reduction, technology, innovation, antitrust and privacy.

While addressing youth use of age-restricted products is laudable, lawmakers must refrain from imposing excessive excise taxes on adult products. Youth use of cigars and cigarettes are at record lows in the Commonwealth, while adult use has steadily declined. Increasing regressive taxes will only burden low-income, low educated persons in Massachusetts, whom are already disproportionately impacted by cigarette excise taxes. Moreover, the Commonwealth is already experiencing a steep decline in cigarette tax revenue due to previous legislative attempts to address "youth nicotine addiction." In place of levying draconian taxes, lawmakers ought to revisit existing youth tobacco policies and allocate more of the already-existing cigarette taxes and tobacco monies towards tobacco control programs.

- Use of cigars and cigarettes is at record lows among Massachusetts high school students.
- Between 1999 and 2019, current use (i.e., having used a product on at least one occasion in the past 30 days) of cigars declined by 67.3 percent, with only 5.1 percent of high schoolers in the Bay State using cigars in 2019.
- In 2021, only 3.5 percent of Massachusetts high school students reported current use of cigarettes, which was a 30 percent decline from 2019 and an 88.4 percent decline from 1993.
- In 2022 (nationally), only 1.9 percent of U.S. middle and high school students reported current cigar use and only 1.6 percent were currently smoking cigarettes. These are some of the lowest levels recorded.
- In 2021, 10.6 percent of adults were currently smoking in Massachusetts. This is a 4.5 percent decrease from 2020.

- In 2021(among all Massachusetts adults), 7.4 percent of 18- to 24-year-olds, 12.3 percent of 25–44-year-olds, 12.3 percent of 45–64-year-olds, and 7.6 percent of adults aged 65 years or older were currently smoking combustible cigarettes.
- Among all adults earning \$25,000 or less in 2021, 19.5 percent were currently smoking compared to only 6.3 percent of adults earning \$50,000 or more.
- Among all smoking adults in 2021, 76.6 percent were White, 10.5 percent were Hispanic, 7.4 percent were Black, 3.2 percent were Hispanic, and 2.3 percent were Multiracial (non-Hispanic).
- Cigarette excise taxes in Massachusetts disproportionately impact low income, low education persons, while failing to significantly reduce smoking rates among that class.
- The number of percent of Massachusetts adults earning \$25,000 or less that were smoking decreased by 27.6 percent between 2013 and 2021, while the percent of adults earning \$50,000 or more that were smoking decreased by 43.5 percent during the same period.
- Among Massachusettsans who did not graduate high school, smoking rates decreased by 25.8 percent, while rates among adults with a college degree decreased by 34.4 percent.
- In 2021, 4.7 percent of Massachusetts adults reported past-month e-cigarette use, which was a 42.4 percent increase from 2017.
- Cigarette excise taxes are unreliable revenue streams as smoking rates have steadily declined. Further, Massachusetts is already experiencing steep declines in cigarette tax revenue due to existing state policies banning certain cigarette products.
- Massachusetts last increased the state cigarette excise tax in 2013. In 2014, the Commonwealth collected \$620 million in cigarette excise tax revenue, a 15.9 percent increase from 2013. Yet, between 2014 and 2020, cigarette tax revenue decreased on average by 1.4 percent annually. In 2019, Massachusetts collected \$515.2 million in cigarette tax revenue – a 3.7 percent decrease from 2013’s revenue (before the tax increase), and a 16.9 percent decrease from 2014.
- The existing flavored cigarette and vape ban has led to even steeper declines in cigarette tax revenue collections, while neighboring states have seen increases in cigarette tax revenue.
- Between 2020 and 2021, cigarette tax revenue in Massachusetts declined by 22.3 percent, yet collections in New Hampshire increased by 14.4 percent during the same period and in Rhode Island, cigarette tax revenue increased by 13.9 percent.
- Yet, there were greater decreases in adult smoking rates among adults in New Hampshire and Rhode Island than in Massachusetts during the same time.
- Between 2020 and 2021, smoking rates among Massachusetts adults declined by only 4.5 percent. Yet, among adult in Rhode Island, smoking rates declined by 8.1 percent and in New Hampshire, smoking rates decreased by 11.5 percent.

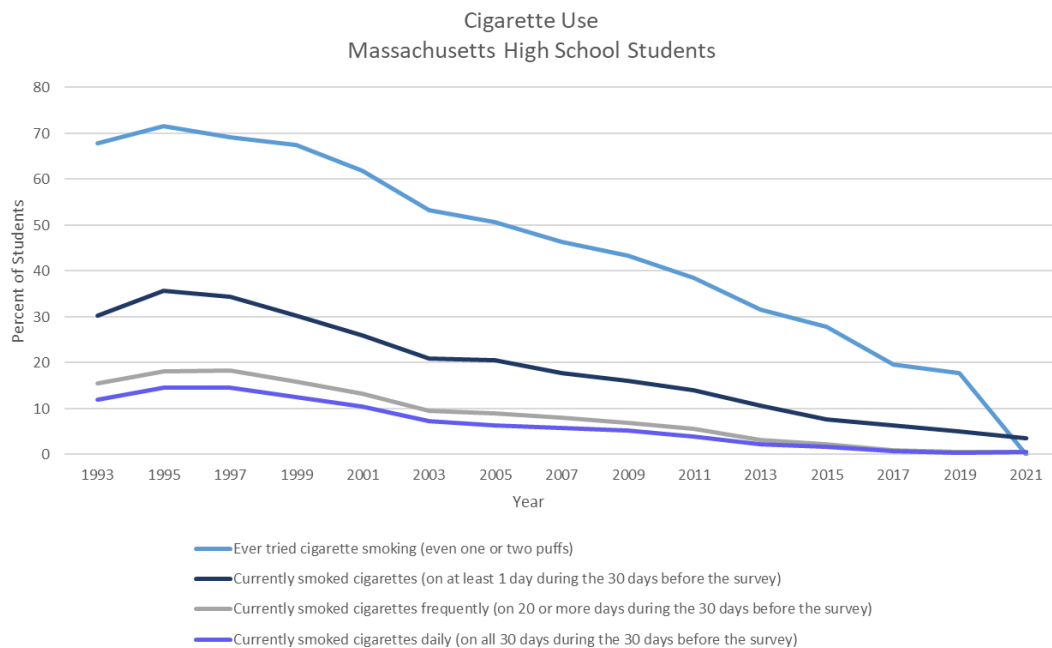
- The existing flavor ban has required Massachusetts to dedicate additional funding (while tax revenue from cigarettes is decreasing) to enforce the ban. Between 2020 and 2021, the Commonwealth increased funding to the Illegal Tobacco Task Force by 73.1 percent to more than \$1 million.
- Increasing the cigarette tax will only lead to further tax invasion as it would make Massachusetts' cigarette tax the second highest in the region.
- Rather than imposing additional regressive taxes on low income and low educated persons in the Commonwealth, lawmakers ought to dedicate more of the already-existing tobacco monies towards tobacco control programs including cessation, education, and prevention efforts.
- In 2021, Massachusetts collected \$616.4 million generated by state cigarette excise tax collections and tobacco settlement payments. Yet, the Commonwealth only allocated \$5.1 million that year towards tobacco control programs. This amounts to only 1.4 percent of taxes and 2.1 percent of settlement payments being used toward helping adults quit and prevent youth use.
- In 2021, for every \$1 the state received in tobacco-related monies, it spent less than \$0.01 on tobacco control efforts.

Youth Cigarette and Cigar Use at Record Lows

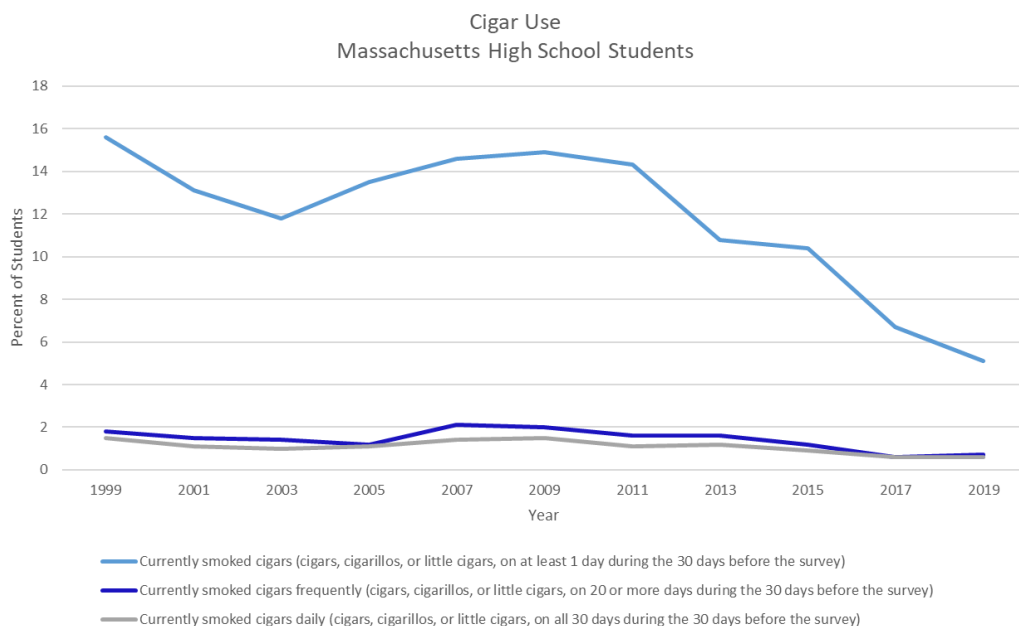
There is no need for an increase in the Commonwealth's existing cigar and cigarette excises taxes as youth use of cigarettes and cigars are at record lows.

The Centers for Disease Control and Prevention (CDC), in coordination with state and local education and health departments, biennially conducts the Youth Risk Behavior Survey (YRBS) among Massachusetts high school students.¹

In 2021, among Bay State highschoolers, only 3.5 percent reported current combustible cigarette use. Current use is defined as having used the product on at least one occasion in the 30 days prior to the survey. This was a 30 percent decline from 2019 when 5 percent of Massachusetts high school students were currently smoking. Even more welcoming, it is a whopping 88.4 percent decline from 1993 (the first year the YRBS was conducted among high schoolers in Massachusetts), when nearly one-third (30.2 percent) reported currently smoking.



There is no data on cigar use for 2021, but among Massachusetts' high school students, current use of cigars has been steadily declining since first monitoring cigar use in 1999. That year, 15.6 percent of high school students in the Bay State were currently smoking cigars. Between 1999 and 2019, current cigar use among Massachusetts high schoolers declined by 67.3 percent, with only 5.1 percent of high school students reporting current cigar use in 2019.



Other national surveys on youth tobacco use also find record lows of youth use of cigars and cigarettes.

In 2022, according to the National Youth Tobacco Survey (NYTS) and administered by the CDC and U.S. Food and Drug Administration (FDA), 1.9 percent of U.S. middle and high school students were currently using cigars and 1.6 percent reported current combustible cigarette use.² Between 2019 and 2022, cigar use declined by 64.2 percent (from 5.3 percent of students) and cigarette use declined by 62.7 percent (from 4.3 percent of students).

Researchers at the University of Michigan also track youth tobacco use through the Monitoring the Future Survey (MFS). In 2021, according to the MFS (which monitors tobacco use among 8th, 10th, and 12th graders), 1.5 percent of U.S. students reported current flavored cigar use, 1.6 percent reported current large cigar use and 1.2 percent cited using regular small cigars in the past month.³ These are the lowest levels recorded in the MFS. Between 2014 (the first year MFS monitored cigar uses) and 2021, flavored cigar use declined by 80.8 percent, large cigar use decreased by 61.5 percent and use of regular small cigars declined by 72.7 percent among U.S. students.

Combustible cigarette use is also at record lows in data from the MFS. In 2021, only 11.6 percent of U.S. students reported ever trying a combustible cigarette, 2.3 percent reported current/past-month use, and only 1.1 percent of U.S. youth were smoking cigarettes daily.

The MFS first monitored cigarette use among multiple grades in 1991 when more than half (54.1 percent) of U.S. youth had ever tried cigarettes, 21.1 percent reported current use, and 12.8 percent were smoking daily. Between 1991 and 2022, ever-use of cigarettes declined by 78.5 percent, current use declined by 89 percent and daily cigarette use decreased by 91.6 percent.

With the tremendous declines in youth cigar and cigarette use in both Massachusetts and the U.S., there is no reason for lawmakers to impose even higher excise taxes on such products.

Adult Cigarette and Cigar Use

There is scant state-focused data on adult cigar use, but the CDC annually releases state data from Behavioral Risk Factor Surveillance System (BRFSS) survey, which tracks various adult demographics, behaviors, and habit, including combustible cigarette use.⁴

In 2021 (according to the BRFSS), 595,995 adults, or 10.6 percent of Massachusettsans, were currently smoking. This is a 4.5 percent decrease from 2020 when 11.1 percent reported current cigarette use. In 2021, 7.6 percent of Massachusettsan adults reported smoking every day.

Smoking rates in the Bay State have significantly declined since 1995 when the BRFSS first began reporting combustible cigarette use. That year, 21.8 percent of Massachusetts adults were then-currently smoking. Between 1995 and 2021, smoking rates have decreased by 51.4 percent, with average annual decreases of 2.5 percent.

In 2021 (among all Massachusetts adults), 7.4 percent of 18- to 24-year-olds, 12.3 percent of 25–44-year-olds, 12.3 percent of 45–64-year-olds, and 7.6 percent of adults aged 65 years or older were currently smoking combustible cigarettes.

Among all adults earning \$25,000 annually or less in 2021, nearly one-fifth (19.5 percent) reported currently smoking, compared to only 6.3 percent of adults who earned \$50,000 or more per year.

In Massachusetts, Multiracial (non-Hispanic) adults reported smoking at a greater percentage of their identified race at 14.7 percent, compared to 11.3 percent of Black adults, 11 percent of White adults, 9.5 percent of Hispanic adults, and 4.6 percent of Asian adults.

Yet, White adults made up a significantly larger percentage of Massachusetts's total adult smoking population. In 2021, White adults accounted for 76.6 percent of the state's current smoking population, compared to Multiracial (non-Hispanic) adults who made up only 2.3 percent. Hispanic adults accounted for 10.5 percent of the smoking population in 2021, Black adults made up 7.4 percent, and Asian adults made up 3.2 percent of Massachusetts' adult smoking population in 2021.

Regressive Cigarette Taxes Harm Lower Income, Lower Educated Adults

Massachusetts increased its state cigarette excise tax in 2013 from \$2.51 to \$3.51-per-pack. Lawmakers often justify excise taxes on cigarettes to deter persons from using combustible cigarettes. These taxes not only disproportionately harm lower income, lower educated adults, the taxes also fail to significantly reduce smoking rates among those persons.

The percentage of Massachusetts adults earning \$25,000 or less that were smoking decreased by 27.6 percent between 2013 and 2021, while the percentage of adults earning \$50,000 or more that were smoking decreased by 43.5 percent during the same period. Among Massachusettsans who did not graduate high school, smoking rates decreased by 25.8 percent, while rates among adults with a college degree decreased by 34.4 percent.

The federal excise tax is also regressive.

The United States last increased the federal cigarette excise tax in 2009 from \$0.39 to \$1.01-per-pack. The percentage of U.S. adults earning \$25,000 or less that were smoking decreased by 5.1 percent between 2009 and 2021, while the percentage of adults earning \$50,000 or more who were smoking decreased by 29 percent during the same period.⁵ Among American adults who did not graduate high school, smoking rates decreased by 5.2 percent, while rates among adults with a college degree decreased by 33.3 percent.

National studies also note that lower income persons spend more of their disposable income on cigarettes and will be unduly harmed by an increase.

The Cato Institute found that from 2010 to 2011, “smokers earning less than \$30,000 per year spent 14.2 percent of their household income on cigarettes, compared to 4.3 percent for smokers earning between \$30,000 and \$59,999 and 2 percent for smokers earning more than \$60,000.” For example (in the U.S.), in 2020, among current adult smokers, 54.3 percent reported annual incomes of \$24,999 or less. Conversely, only 10.4 percent of adult smokers reported earning \$50,000 or more annually.

Lawmakers should refrain from enacting further increases in cigarette taxes given their disproportionate effect on low-income persons, lower educated adults while failing to reduce smoking rates.

Lawmakers Should Reassess the Impacts of the Commonwealth’s Flavor Ban

Massachusetts has been trying to address the issue of youth tobacco and vapor product use for years, with the Bay State being the first state in the nation to ban the legal sale of flavored tobacco and vapor products. To date, only California has banned flavors in both tobacco and vapor products, while New Jersey, New York and Rhode Island currently ban the sale of flavored e-cigarettes.

The lead sponsor of the Senate bill in question was the lead sponsor of the 2019 legislation which banned the sale of non-tobacco flavored tobacco and vapor products, including cigarettes and cigars.

The existing flavor ban has led to steep decreases in cigarette excise tax revenue collections, while neighboring states have experienced increases – amid declining smoking rates among adults.

While cigarette tax increases lead to short term increases in tax revenue, smoking rates have steadily declined since Massachusetts last increased the state cigarette excise tax, coinciding with declining tax revenue.

In 2014, the Commonwealth collected \$620 million in cigarette excise tax revenue – which was a 15.9 percent increase from 2013’s \$535 million (when the last tax was implemented).⁶ In 2015, Massachusetts collected \$615.2 million in cigarette excise tax revenue, which was a 15 percent increase from 2013, yet a 0.8 percent decline from 2014’s cigarette tax revenue. Between 2014 and 2020, cigarette tax revenue decreased on average by 1.4 percent annually.

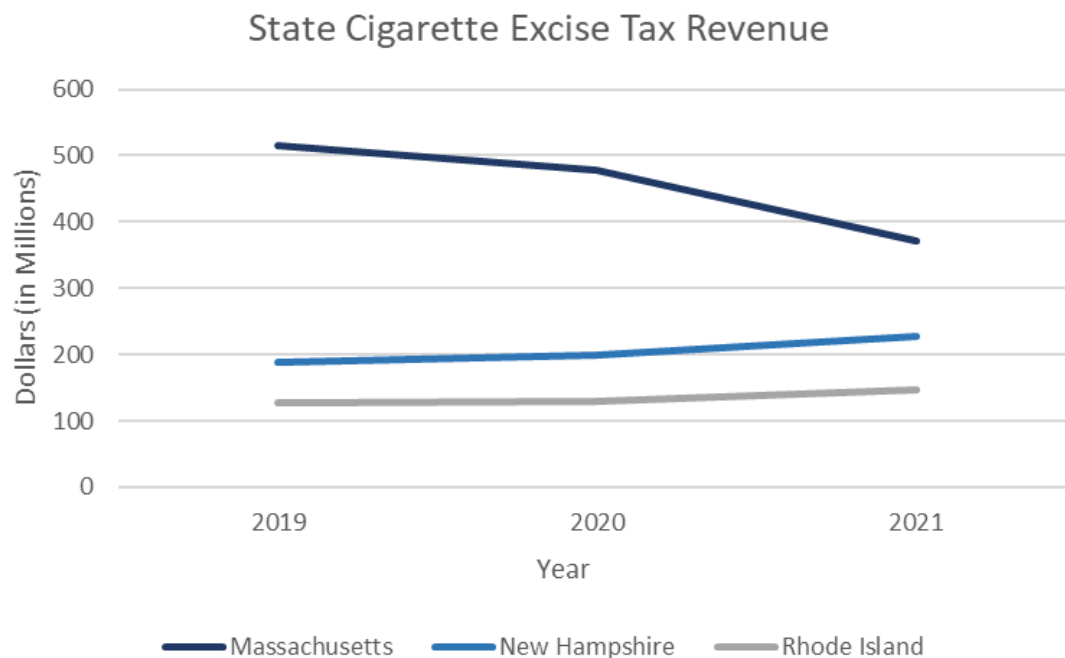
In 2019 – when the former Governor signed legislation banning the sale of certain cigarettes – Massachusetts collected \$515.2 million in cigarette excise tax revenue, which was a 3.7 percent decrease from 2013’s revenue (a year before the last tax increase) and a 16.9 percent decrease from 2014.

The flavored cigarette and vape ban (which went into effect in 2020) led to even steeper declines. In 2021, Massachusetts collected \$370.8 million attributable to state cigarette excise

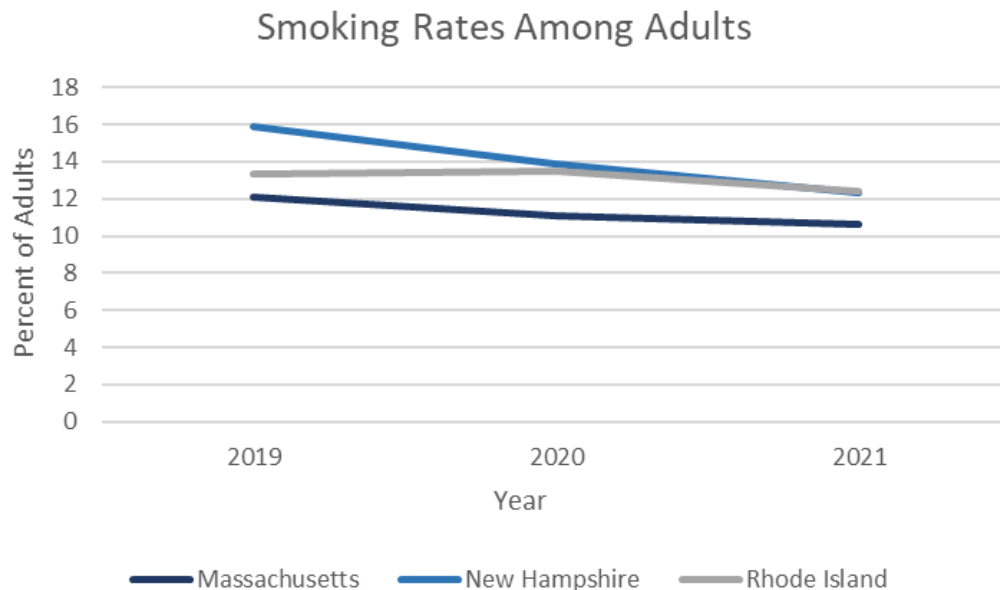
taxes. This was a 22.3 percent decline from 2019's revenue and a whopping 30.7 percent decrease from 2013. Between 2021 and 2022, cigarette tax revenue declined even further with the Bay State collecting only \$360.9 million in cigarette taxes in 2022 – a 2.7 percent decline from 2021 and 41.8 percent decrease from 2013's \$535 million.

Interestingly, neighboring states saw cigarette tax revenue increase between 2020 and 2021 – while experiencing a decrease in adult smoking rates.

Between 2020 and 2021, New Hampshire saw a 14.4 percent increase in cigarette tax revenue from \$199.5 million to \$228.3 million. In Rhode Island, cigarette tax revenue increased by 13.9 percent from \$129 million in 2020 to \$146.9 million in 2021.



Yet, there were greater decreases in adult smoking rates in New Hampshire and Rhode Island during the same time. Between 2020 and 2021, smoking rates among Massachusetts adults declined by only 4.5 percent, from 11.1 percent of adults to 10.6 percent.⁷ Yet, among adult in Rhode Island, smoking rates declined by 8.1 percent, from 13.5 percent to 12.4 percent.⁸ Even better, in New Hampshire, smoking rates decreased by 11.5 percent from 13.9 percent of adults smoking in 2020 to 12.3 percent in 2021.⁹

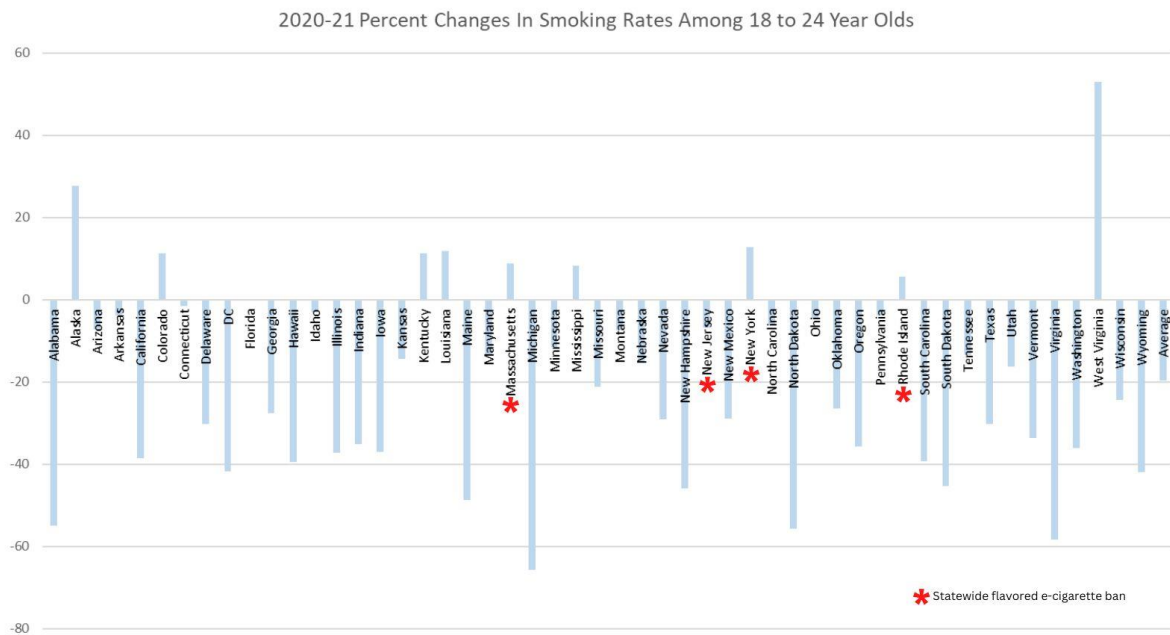


Even more troublesome, the flavored e-cigarette ban in the Bay State correlates with increases in smoking rates among young adults aged 18 to 24 years old.

Smoking rates among young adults aged 18 to 24 years old decreased on average by 19.7 percent between 2020 and 2021. Yet, in three of the then-four states with active flavor bans, smoking rates increased.¹⁰

In Massachusetts, 7.4 percent of 18- to 24-year-olds were current smokers in 2021. This is an 8.8 percent increase from 2020 when only 6.8 percent of young adults in the Bay State were currently smoking. In New York, young adult smoking rates increased by 12.7 percent from 5.5 percent in 2020 to 6.2 percent in 2021. In Rhode Island, between 2020 and 2021, smoking rates among young adults aged 18 to 24 years old increased by 5.7 percent.

Of the four states with active flavored e-cigarette bans, only New Jersey saw a reduction (6.8 percent) in young adult smoking rates. This is significantly lower than the average rate of reduction among all U.S. young adults.



Even more worrisome, the Commonwealth has had to dedicate additional funding to monitor and enforce the flavor ban, despite declining funding from tobacco-related monies.

In 2020, the Commonwealth allocated \$598,911 to the multi-agency Illegal Tobacco Task Force, which oversees enforcing the states tobacco laws.¹¹ In 2021, the General Assembly increased funding to the agency by 73.1 percent to more than \$1 million.¹² In 2023, the Commonwealth allocated an additional 1.5 percent in funding to the agency, despite cigarette tax revenue experiencing a 29.9 percent decrease in 2022 compared to 2019.¹³

Increasing the cigarette tax will only lead to further tax evasion as Massachusetts residents travel to neighboring states to purchase cigarettes.

Currently, the Commonwealth's state excise tax is the third lowest in the region, with Connecticut, New York, and Rhode Island imposing steeper state excise taxes on cigarettes.

Should the tax on cigarettes be increased, adults who smoke in the Commonwealth would be subject to a \$4.51 state excise tax (not including the federal excise tax), which would be the second-highest tax in the region after New York's \$5.35 state excise tax. In fact, if passed, cigarettes would be \$2.73 less expensive in New Hampshire and \$1.43 less expensive in Vermont.

	Current State Tax	Difference Now	Difference After Proposed Tax
New Hampshire	\$1.78	(\$1.73)	(\$2.73)
Vermont	\$3.08	(\$0.43)	(\$1.43)
Rhode Island	\$4.25	\$0.74	(\$0.26)
Connecticut	\$4.35	\$0.84	(\$0.16)
New York	\$5.35	\$1.84	\$0.84

Imposing an 80 percent tax on cigar products will also have negative effects. Outside of New Hampshire which has no excise tax on large cigars, the current 40 percent tax on large cigars is the lowest in the region. Should the tax increase go through, adult cigar users will pay less in excise taxes for large cigars in Connecticut and New York.

Again, rather than imposing draconian taxes that will only further drive adults who use tobacco products to neighboring states, lawmakers ought to reassess the impacts of current policies and the shrinking cigarette excise tax revenue.

Bay State Should Invest More of Existing Tobacco Monies on Prevention

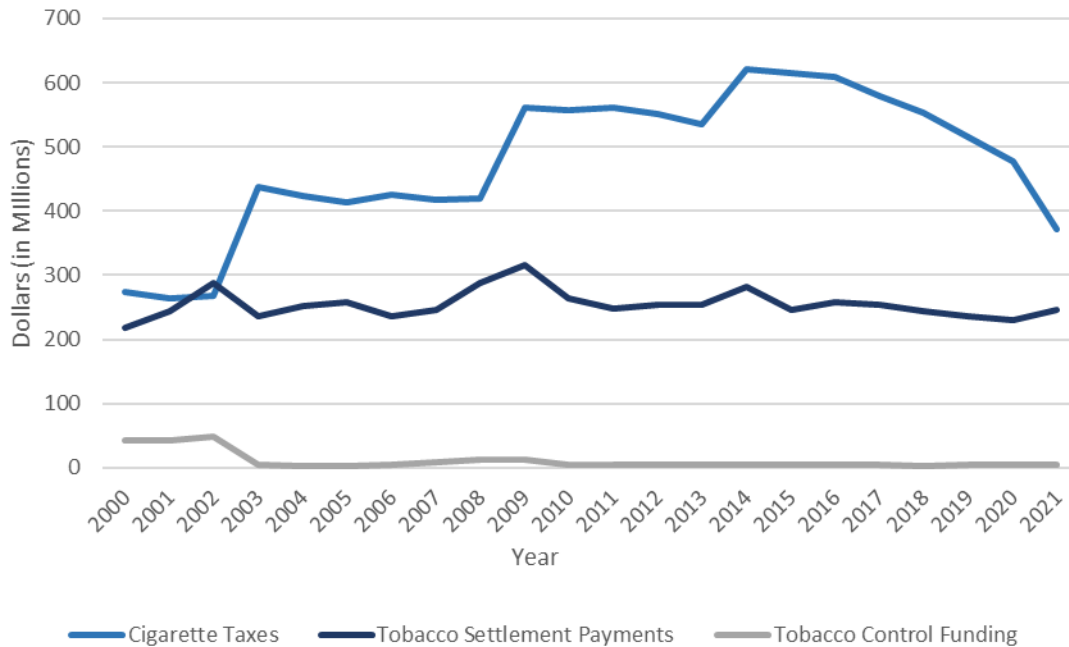
Each year, states receive billions of dollars borne out of the lungs of persons who smoke. This revenue includes excise cigarette taxes and settlement payments. Yet, each year, states spend miniscule amounts of tobacco-related monies on programs to help adults quit smoking and prevent youth use.¹⁴

In 2021, the Bay State collected \$370.8 million in state excise tax revenue from combustible cigarettes. This was a 22.3 percent decrease from 2020's \$477.4 million. Between 2000 and 2021, Massachusetts has collected over \$10.4 billion in cigarette taxes.

Since 2000, Massachusetts has collected annual payments from tobacco manufacturers based on the percentage of cigarettes and tobacco products sold in the state in that year. Massachusetts collected \$245.6 million in settlement payments in 2021, a 6.9 percent increase from 2020's \$229.7 million. Since 2000 the Bay State has collected an estimated \$5.6 billion in tobacco settlement payments.

While Massachusetts collected nearly \$616.4 million in tobacco-related monies in 2021, the state allocated only \$5.1 million in state funding towards tobacco control programs, including cessation, education, and youth prevention efforts. This amounts to 1.4 percent of taxes and 2.1 percent of settlement payments. In 2021, for every \$1 the state received in tobacco monies, it spent less than \$0.01 on tobacco control efforts.

Massachusetts Tobacco Monies



¹ U.S. Centers for Disease Control and Prevention, "Massachusetts 2021 Results," Youth Risk Behavior Survey, <https://nccd.cdc.gov/Youthonline/App/Results.aspx?LID=MA>.

² Eunice Park-Lee et al., "Tobacco Product Use Among Middle and High School Students — United States, 2022," *Morbidity and Mortality Weekly Report*, U.S. Centers for Disease Control and Prevention, Nov. 11, 2022, https://www.cdc.gov/mmwr/volumes/71/wr/mm7145a1.htm?s_cid=mm7145a1_w.

³ University of Michigan, "Tables and Figures," Monitoring the Future, 2021, <https://monitoringthefuture.org/results/data-products/tables-and-figures/>.

⁴ Lindsey Stroud, "Tobacco & Vaping 101: Massachusetts," Taxpayers Protection Alliance, May 17, 2023, <https://www.protectingtaxpayers.org/analysis/tobacco-vaping-101-massachusetts-3/>.

⁵ Lindsey Stroud, "Tobacco & Vaping 101: United States," Taxpayers Protection Alliance, May 17, 2023, <https://www.protectingtaxpayers.org/analysis/tobacco-vaping-101-united-states/>.

⁶ Orzechowski and Walker, "The Tax Burden on Tobacco Historical Compilation Volume 56," 2022. Print.

⁷ Lindsey Stroud *supra* note 4.

⁸ Lindsey Stroud, "Tobacco & Vaping 101: New Hampshire," Taxpayers Protection Alliance, May 17, 2023, <https://www.protectingtaxpayers.org/analysis/tobacco-vaping-101-new-hampshire-3/>.

⁹ Lindsey Stroud, "Tobacco & Vaping 101: Rhode Island," Taxpayers Protection Alliance, May 17, 2023, <https://www.protectingtaxpayers.org/analysis/tobacco-vaping-101-rhode-island-3/>.

¹⁰ Lindsey Stroud, "Statewide Flavored E-Cigarette Bans Have Led to Increases in Young Adult Smoking," *Townhall*, Oct. 21, 2022, <https://townhall.com/columnists/lindseystroud/2022/10/20/statewide-flavored-e-cigarette-bans-have-led-to-increases-in-young-adult-smoking-n2614807>.

¹¹ Commonwealth of Massachusetts, "FY 2020 Final Budget," Jul. 31, 2019, <https://malegislature.gov/Budget/FY2020/FinalBudget>.

¹² Commonwealth of Massachusetts, "FY 2021 Final Budget," Dec. 11, 2020, <https://malegislature.gov/Budget/FY2021/FinalBudget>.

¹³ Commonwealth of Massachusetts, “FY 2023 Final Budget,” Jul. 28, 2022, <https://malegislature.gov/Budget/FY2023/FinalBudget>.

¹⁴ Lindsey Stroud *supra* note 4.