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Cigarette tax burns the poor

By David G. Tuerck

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The Massachusetts House voted last week to raise the cigarette tax by a dollar - making it \$2.51 per pack, the third highest such tax in the country. The average price of a pack of cigarettes here will be about \$6.41.

The tax increase will be steeply regressive. As a fraction of disposable income, the burden of the new tax on households making less than \$20,000 a year will be almost nine times the burden on those making \$50,000 or more. For households making less than \$20,000, smoking will now take up almost 12 percent of their disposable income. For households making \$50,000 or more, it will take up a little more than 1 percent.

Lawmakers defend the new tax as necessary for closing a structural deficit and as helpful in saving on health care costs. But the tax will not contribute appreciably to state tax revenues (it adds less than 1 percent). Nor will it reduce health care costs.



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Yes, the tax will cause some people to smoke less or to quit. But that will reduce only one health risk. And the dramatic decline in smoking that has taken place over the last 40 years has been accompanied by an equally dramatic rise in health care costs.

The fact that many people still smoke tells us that, despite smoking bans and the well-

publicized risks, people, both rich and poor, still enjoy smoking. The only difference is that, even at a dollar more per pack, the rich won't feel much of a burden.

For the poor it is different. For the poor, another dollar per pack does not mean giving up, say, a game at [Fenway Park](#) [map]. It means giving up food on the table. It means keeping the thermostat down in winter or delaying an auto repair.

The convenience store owner who suffers lost profits when his customers buy fewer cigarettes cannot make up the difference by stocking his shelves with caviar.

If the Legislature wanted to be fair about how it balances the budget, it would slap a special tax on luxury items that carry their own health or societal costs but that don't represent a major budget item for the poor. How about a tax, say, on single-malt scotch? On Kobe beef? On SUVs? Why don't legislators go after products that are consumed by their wealthier constituents?

The answer is that smoking is one form of consumption that has been sufficiently demonized to make the political risk of taxing it acceptably low. Anti-smoking zealots have been able to drive smokers out of bars and offices into the cold. They've told World War II veterans that they can't smoke at the Legion Hall, and now they're telling people that they can't smoke in their own homes.

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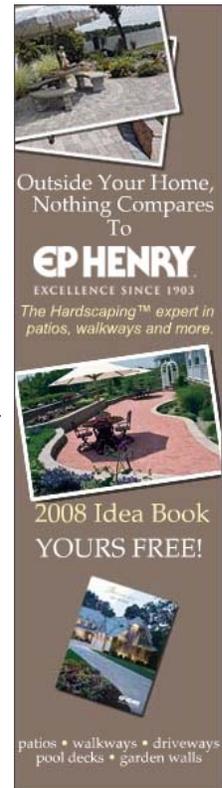
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Conditioned as voters are to accept any manner of government interference predicated on smoking cessation, it becomes a political no-brainer to raise the tax on cigarettes whenever the state needs another \$100 million in revenue.

Combined with this political opportunism is an element of sheer hypocrisy. The state is making itself as dependent on smoking as the dwindling minority of people who actually smoke. And for the tax to raise revenue, the state needs to tax the poor. For the poor, unlike the rich, cannot load up on cigarettes while vacationing in North Carolina or shopping in New Hampshire.

The Legislature should rethink this tax. The price of smoking is high enough to invite sales of black-market cigarettes. And at some point, further tax hikes will become a revenue loser. The state should do a better job of managing its own budget before it makes it even harder for poor families to manage theirs.

David G. Tuerck is chairman and professor of economics and executive director of the Beacon Hill Institute at Suffolk University.

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