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Feb. 19, 2015

To: House Taxation Committee
From: Carolyn Gaughan, CAE, Executive Director
Re: Testimony on HB 2306

Chairman Kleeb, Vice Chair Sullentrop, Rep. Sawyer & Members of the House Taxation Committee:

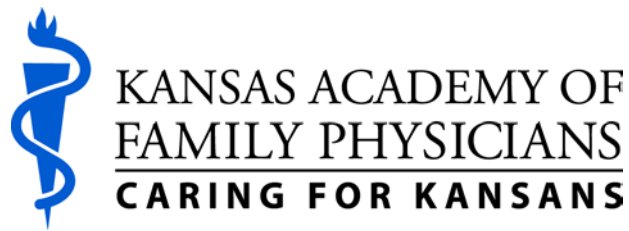
Thank you for this opportunity to present testimony on House Bill 2306, on behalf of the Kansas Academy of Family Physicians (KAFP). Our organization has over 1,630 members across the state, of which more than 1060 are practicing physicians, 125 are resident-physician members, and the others are medical students and retired members. KAFP represents more than 1,560 practicing, resident and medical student members from across this great state. The mission of KAFP is to promote access to, and excellence in, health care for all Kansans through education and advocacy for family physicians and their patients. Quality health care and health outcomes for our patients guide our public policy work. As family physicians, we see people of all ages, both men and women, and we work with almost every type of ailment and illness that afflict our patients.

KAFP supports the increased tax on cigarettes and tobacco products in HB 2306. Here are some of the reasons why:

Higher Tobacco Tax = Lower Tobacco Use

Numerous economic studies in peer-reviewed journals have documented the impact of cigarette tax increases and other price hikes on both adult and underage smoking. The general consensus from these studies is that every 10 percent increase in the real price of cigarettes will reduce the prevalence of adult smoking by approximately three to five percent and reduce teen smoking by about seven percent.¹ Research studies have also found that:

- Cigarette price and tax increases work even more effectively to reduce smoking among males, African Americans, Hispanics, and lower-income smokers.²
- A cigarette tax increase raising prices will significantly reduce smoking among pregnant women, preventing many spontaneous abortions and still-born births, and saving thousands of newborns from suffering from smoking-affected births and related health consequences.³
- Higher taxes on smokeless tobacco reduce its use, particularly among young males; and increasing cigar prices through tax increases reduce adult and youth cigar smoking.⁴
- Cigarette price increases not only reduce youth smoking but also reduce both the number of kids who smoke marijuana and the amount of marijuana consumed by continuing users.⁵



State Experiences with Cigarette Tax Increases Shows They Reduce Smoking

For example, the Wisconsin Quit Line received a record-breaking 20,000 calls in the first two months after its \$1.00 per cigarette pack increase (it typically receives 9,000 calls per year).⁶ Likewise, in Texas and Iowa, which each increased their cigarette taxes by \$1.00 in 2007, the number of calls to the state quit-lines have been much higher compared to the year before.⁷ It is also clear that these efforts to quit by smokers after tax increases translate directly into lower future smoking rates. In Washington State, for example, adult smoking from the year before its 60-cent cigarette tax increase in 2002 to the year afterwards declined from 22.6 to 19.7 percent, reducing the number of adult smokers in the state by more than 100,000, despite overall population increases.⁷

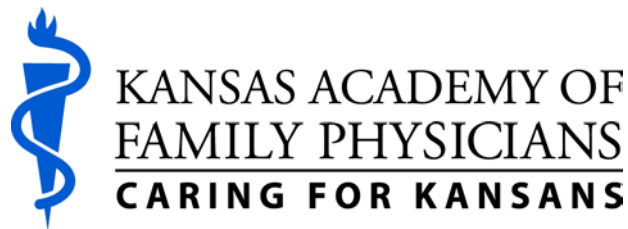
Expert Conclusions: Cigarette Tax Increases Reduce Smoking

- In its 2007 report, *Ending the Tobacco Problem: A Blueprint for the Nation*, the National Academy of Sciences' Institute of Medicine recommends raising cigarette taxes in states with low rates and indexing them to inflation, to reduce cigarette consumption and to provide money for tobacco control. The report states, "Tobacco excise tax revenues pose a potential funding stream for state tobacco control programs. Setting aside about one-third of the per-capita proceeds from tobacco excise taxes would help states fund programs at the level suggested by CDC."⁸
- The President's Cancer Panel's 2007 report, *Promoting Healthy Lifestyles*, advised increasing state tobacco taxes, stating, "Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco. These revenues also provide crucial dollars needed to fund anti-tobacco efforts."⁹
- Other Wall Street tobacco industry analysts have also concluded that an increase to the federal cigarette tax would significantly reduce smoking levels.¹¹
- The 2000 U.S. Surgeon General's Report, *Reducing Tobacco Use*, found that raising tobacco-product prices decreases the prevalence of tobacco use, particularly among kids and young adults, and that tobacco tax increases produce "substantial long-term improvements in health." From its review of existing research, the report concluded that raising tobacco taxes is one of the most effective tobacco prevention and control strategies.¹²
- In its 1998 report, *Taking Action to Reduce Tobacco Use*, the National Academy of Sciences' Institute of Medicine concluded that "the single most direct and reliable method for reducing consumption is to increase the price of tobacco products, thus encouraging the cessation and reducing the level of initiation of tobacco use."¹³

The tobacco tax is a user fee. More than eighty-percent of Kansans will not pay this tax because they do not smoke. This is like other user fees that are enforced, in which those using the product or service pay for it.

Tobacco-Related Monetary Costs in Kansas¹⁴

- Annual health care expenditures in the State directly caused by tobacco use: \$1.12 billion¹⁴
- Portion covered by the Kansas state Medicaid program: \$237.4 million¹⁴
- Residents' state and federal tax burden from smoking-caused government expenditures: \$825/household¹⁴



Smoking-caused productivity losses in Kansas: \$1.09 million. This amount is only from smoking-related death or shortened work lives. It does not include productivity losses from smoking-caused work absences, on-the-job performance declines, and disability during otherwise productive work lives, which could total millions more for Kansas. Other non-health costs caused by tobacco use include direct residential and commercial property losses from smoking-caused fires (about \$400 million nationwide); and the costs of extra cleaning and maintenance made necessary by tobacco smoke and tobacco-related litter (about \$4+ billion per year nationally for commercial establishments alone).¹⁴

Thank you again for this opportunity to provide testimony in support of HB 2306. Please let me know if you have any questions.

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