

American
Heart
Association.



New Mexico Allied Council on Tobacco



Benefits of Tobacco Taxes in New Mexico

Tobacco's Toll in New Mexico

- 2,600 tobacco-related deaths annually
- 4,300 kids try first cigarette each year
- 40,000 kids alive today will die from tobacco use
- 8.9% of high school students currently smoke cigarettes
- 11% of high school males currently smoke cigars
- 34% of high school students currently use e-cigarettes
- 16% of adults currently smoke cigarettes

Tobacco's Toll in New Mexico

- \$844 million in annual health care costs related to tobacco use
- \$222.8 million in Medicaid costs alone
- New Mexico taxpayers pay \$937 per household to cover smoking-caused government costs

E-Cigarette Epidemic in New Mexico

- New Mexico is ranked 3rd highest in high school student use of e-cigarettes, out of 44 states, only behind West Virginia (35.7%) and North Carolina (35.5).
- Nationally, New Mexico is ranked 5th highest in youth smoking rates.

E-cigarette use among New Mexico high school students:

<u>2015</u>	<u>2017</u>	<u>2019</u>
24%	24.7%	34%

Source: NM Youth Risk & Resiliency Survey, NM Dept of Health & NIM Public Education Department. Sample sizes insufficient to report out data for Catron and Harding counties.



Tobacco
Taxes are
Most
Effective
with:

Kids

Pregnant Women

**Lower Income
Populations**

Increasing
Tobacco Taxes in
New Mexico:
A Win-Win-Win

Win For Public Health In New Mexico

Fewer low birthweight babies and attendant health problems

Immediate medical cost savings for caring for low birthweight babies

Fewer cases of miscarriage, neonatal mortality, and SIDS

Less exposure of babies to secondhand smoke

Win For Public Health in New Mexico

8,100 kids prevented
from becoming
addicted adult
smokers

1,600 young adult
(18-24) smokers who
will quit

14,000 adult
smokers who will
quit

1,300 smoking-
affected births
prevented (over next
5 years)

Saving 5,900
residents from
premature smoking-
caused death

Win For Public Health In New Mexico

\$12.54 million in 5-year savings from fewer smoking-caused lung cancer cases, smoking-affected pregnancies and heart attacks and strokes

\$10.85 million in 5-year New Mexico Medicaid program savings from fewer smokers


\$476.06 million in long-term health care savings from declines in adult and youth smoking

Raising
Tobacco
Taxes
Changes
Behavior

“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.”

**Taking Action to Reduce Tobacco Use
National Academy of Sciences Institute of Medicine - 1998**

Many Agree...

- 
- U.S. Surgeon General
 - National Cancer Institute
 - U.S. Centers for Disease Control & Prevention
 - Task Force on Community Preventive Services
 - President's Cancer Panel
 - Institute of Medicine of the National Academies
 - World Bank
 - World Health Organization
 - Wall Street Tobacco Analysts

Reduce Smoking Rates Among Adults & Youth:

State	Cigarette Tax Rank (1=High)	Cigarette Tax (per pack)	Youth Smoking Rate	Adult Smoking Rate
DC	1st	\$ 4.50	5.3%	12.7%
Connecticut	2nd	\$ 4.35	3.7%	12.1%
New York	2nd	\$ 4.35	4.8%	12.7%
Rhode Island	4th	\$ 4.25	4.2%	13.3%
Massachusetts	5th	\$ 3.51	5.0%	12.1%
Oregon	6th	\$ 3.33	4.5%	14.5%
Hawaii	7th	\$ 3.20	5.3%	12.3%
Vermont	8th	\$ 3.08	6.9%	15.1%
Minnesota	9th	\$ 3.04	9.6%	14.6%
Washington	10th	\$ 3.025	5.0%	12.7%
Illinois	11th	\$ 2.98	4.7%	14.5%
California	12th	\$ 2.87	2.0%	10.0%
New Jersey	13th	\$ 2.70	3.8%	13.1%
Pennsylvania	14th	\$ 2.60	6.6%	17.3%
Wisconsin	15th	\$ 2.52	4.7%	15.4%
New Mexico	18th	\$2.00	8.9%	16.0%

(Sources: State: Orzechowski & Walker, Tax Burden on Tobacco monthly data of gross tax revenues. National: U.S. Alcohol and Tobacco Tax and Trade Bureau.

Tobacco Taxes in Neighboring States

Arizona \$2.

Colorado \$1.94 going to \$2.64 by 2027 -
with a minimum \$7.00 per pack mandate

Texas \$1.41

Utah \$1.70

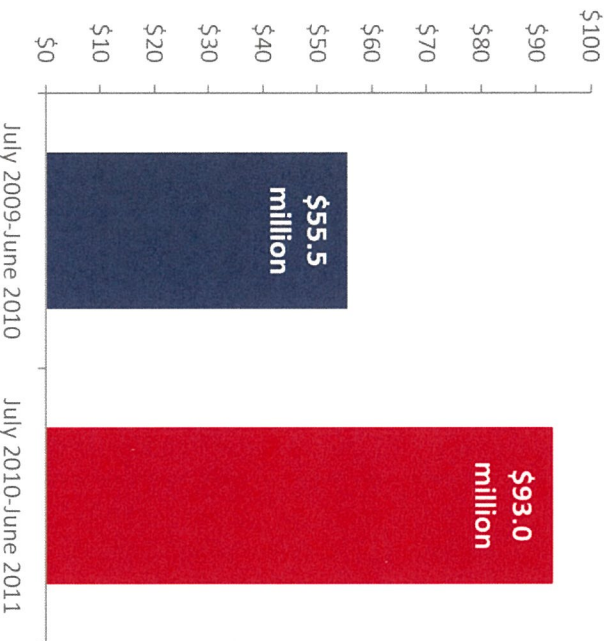
Win For New Mexico Budget

New Mexico's 2010 Tax Experience

Tax rate increased from \$0.91 to \$1.66 on 7/1/2010

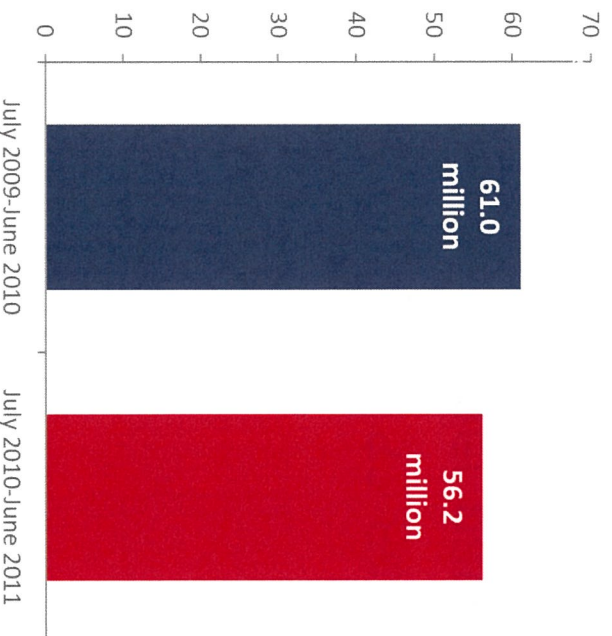
Revenues Collected

+ 67.5%



Packs Sold

- 7.8%



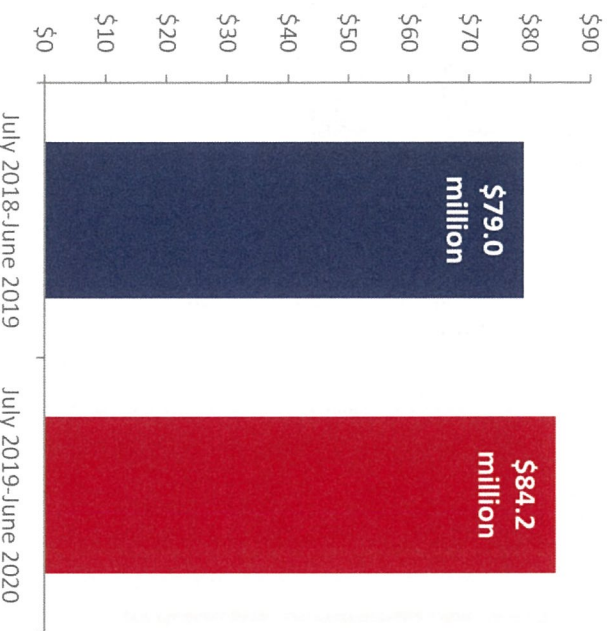
Win For New Mexico Budget

New Mexico's 2019 Tax Experience

Tax rate increased from \$1.66 to \$2.00 on 7/1/2019

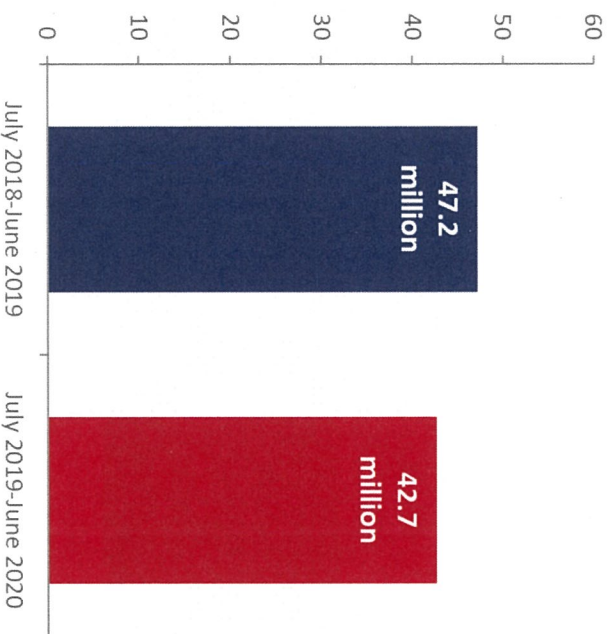
Revenues Collected

+ 6.7%



Packs Sold

- 9.5%



State Revenue Gains From Cigarette Taxes

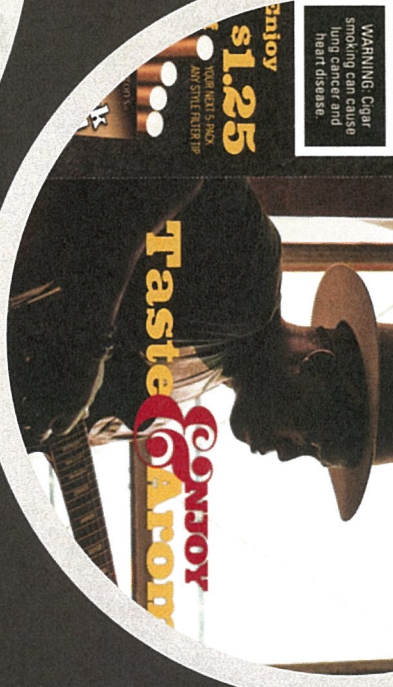
State	Effective Date	Tax Increase Amount (per pack)	New State Tax Rate (per pack)	State Pack Sales Decline	Revenue Increase	Gross New Revenue (millions)
California	4/1/17	\$2.00	\$2.87	-27.8%	+138.2%	\$1,074.6
Florida	7/1/09	\$1.00	\$1.339	-27.4%	+193.2%	\$828.8
Illinois	6/24/12	\$1.00	\$1.98	-31.2%	+39.0%	\$229.2
Maryland	1/1/08	\$1.00	\$2.00	-27.1%	+45.8%	\$126.9
Massachusetts	7/1/08	\$1.00	\$2.51	-20.3%	+32.2%	\$137.2
Massachusetts	7/31/13	\$1.00	\$3.51	-16.8%	+16.0%	\$86.2
Minnesota	7/1/13	\$1.60	\$2.83	-24.0%	+56.0%	\$204.1
Nevada	7/1/15	\$1.00	\$1.80	-33.1%	+51.6%	\$54.6
New Mexico	7/1/10	\$0.75	\$1.66	-7.8%	+67.5%	\$37.5
New York	6/3/08	\$1.25	\$2.75	-23.9%	+39.7%	\$375.4
New York	7/1/10	\$1.60	\$4.35	-24.8%	+18.8%	\$244.6
Oklahoma	7/1/18	\$1.00	\$2.03	-21.8%	+46.7%	\$109.9
Pennsylvania	8/1/16	\$1.00	\$2.60	-18.1%	+31.3%	\$314.3
Utah	7/1/10	\$1.005	\$1.70	-24.5%	+85.0%	\$47.0
Washington	5/1/10	\$1.00	\$3.025	-20.5%	+17.0%	\$62.0
Wisconsin	1/1/08	\$1.00	\$1.77	-15.0%	+93.9%	\$286.0

(Sources: State: Orzechowski & Walker, Tax Burden on Tobacco monthly data of gross tax revenues. National: U.S. Alcohol and Tobacco Tax and Trade Bureau.)

Importance of Higher Tobacco Tax Rates

“...the tobacco industry has used a mixture of actions to alter the prices of their products, including a variety of price-reducing promotions, and that these actions attract price-sensitive populations such as youth to their products, as well as soften the price impact on consumers of increases in federal and state tobacco excise taxes.”

– 2014 Surgeon General’s Report
The Health Consequences of Smoking—50 Years of Progress



Price Promotions,
Discounts, and Coupons

Support Among New Mexico Voters

“How strongly would you favor or oppose an increase in the tax on tobacco products if the money was used to improve the public’s health?”

	2014	2016	2018	2020
Strongly Favor	49%	46%	47%	54%
Favor	27%	33%	28%	22%
Oppose	13%	13%	13%	8%
Strongly Oppose	11%	9%	12%	16%

Source: New Mexico Department of Health's Tobacco Use Prevention and Control Program (TUPAC) & Wyoming Survey and Analysis Center, University of Wyoming

Support Among New Mexico Voters

Currently, other tobacco products such as cigars, chewing tobacco, and e-**cigarettes** are taxed at a lower rate than cigarettes. Would you favor or oppose increasing the tax on these tobacco products to a level that would match the tax on cigarettes if the money was used to increase funding for health programs and education?

	2018	2020
Strongly Favor	48%	58%
Favor	31%	22%
Oppose	10%	7%
Strongly Oppose	10%	13%

Support Among New Mexico Smokers

“How strongly would you favor or oppose an increase in the tax on tobacco products if the money was used to improve the public’s health?”

	2014	2016	2018	2020
Strongly Favor	26%	31%	17%	34%
Favor	24%	34%	30%	22%
Oppose	26%	26%	27%	17%
Strongly Oppose	19%	10%	26%	28%

Support Among New Mexico Smokers

Currently, other tobacco products such as cigars, chewing tobacco, and e-**cigarettes** are taxed at a lower rate than cigarettes. Would you favor or oppose increasing the tax on these tobacco products to a level that would match the tax on cigarettes if the money was used to increase funding for health programs and education?

	2018	2020
Strongly Favor	25%	49%
Favor	39%	29%
Oppose	19%	6%
Strongly Oppose	16%	15%

Support Among Any Tobacco Users in NM

“How strongly would you favor or oppose an increase in the tax on tobacco products if the money was used to improve the public’s health?”

	2014	2016	2018	2020
Strongly Favor	31%	34%	28%	33%
Favor	28%	34%	28%	26%
Oppose	22%	22%	22%	12%
Strongly Oppose	18%	11%	22%	29%

Taxing Other Tobacco Products

It is important to raise and equalize tax rates on all tobacco products to prevent initiation with or switching to tobacco products just because they cost or are taxed less.



Synthetic Nicotine

Synthetic nicotine is the nicotine that is made in a lab and does not contain tobacco.

It has the same chemical structure (C10 H14 N2 or ten carbon atoms, 14 hydrogen atoms, and two nitrogen atoms) as nicotine derived from tobacco.

It is made to mimic the same effects, both good and bad, of natural nicotine.

New Synthetic Nicotine Products

Synthetic nicotine pouches sold in similar flavors to traditional tobacco products.

Also, on the market are synthetic nicotine toothpicks, lozenges, and gums.

Pouches contain different levels of nicotine strength - 1.5 mg, 2 mg, 3.5 mg, 4 mg and 8 mg.

Flavors include citrus, coffee, mint, cinnamon, wintergreen, berry, menthol, peppermint, cool mint, smooth and chill

These products are not to be confused with FDA approved cessation devices or anything of that nature.

New Synthetic Nicotine Products

What the industry has done is either narrow definitions so that the only products taxed are those that contain nicotine derived from tobacco (and thus leaving out synthetic nicotine), or by deleting broader language that would have captured synthetic nicotine.

<https://nicokick.com/us/nicotine-pouches/zyn>

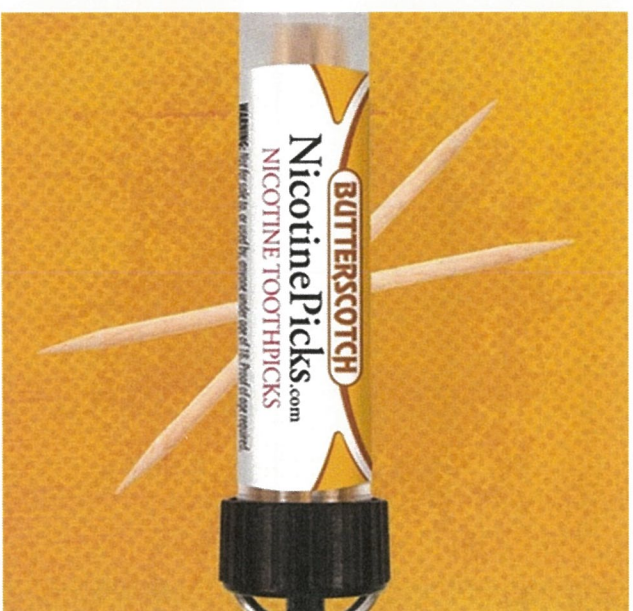
<https://shop.onnicotine.com/shop-cans>

<https://shop.onnicotine.com/wintergreen>

Nicotine Pouches



Nicotine Toothpicks



Most Common Tobacco Industry Arguments Opposing Tax Increases vs. The Truth

Tobacco Industry:

People are going to get their cigarettes in nearby states, so our state is going to lose money

The Truth:

Research has shown most tobacco users buy their product within five-mile radius of where they live.

Most smokers do not have the means to buy cigarettes in bulk and tend to purchase single pack at a time.

Data show that states that increase the tax always generate much more revenue than their neighboring states.

As long as the increase amount is high enough, the new tax collected per pack will overcome any small loss in sales in reaction to the tax increase.

Most Common Tobacco Industry Arguments Opposing Tax Increases vs. The Truth

Tobacco Industry:

Tax increases hurt poor people

The Truth:

It's the smoking and tobacco use that hurts poor people.

Think of all the money they have to spend on the tobacco products, and then the medical costs when they get sick.

Studies show that lower-income smokers are more likely to quit because of a price increase and gain more benefits compared to higher-income smokers.

Most Common Tobacco Industry Arguments Opposing Tax Increases vs. The Truth

Tobacco Industry:

Reduced tobacco sales means stores will go out of business and lose employees

The Truth:

- Tobacco taxes lead consumers to redirect money they might have otherwise spent on tobacco products towards other purchases.
- A University of Illinois Chicago study found the number of convenience stores increased with increasing tobacco tax rates.

Most Common Tobacco Industry Arguments Opposing Tax Increases vs. The Truth

Tobacco Industry:

Smuggling and an Illicit Market Will Impact Tax Collections

The Truth:

Every single state that has increased its cigarette taxes has received more revenue than it would have collected absent a rate increase – despite decline in smoking rates and despite any increases in cigarette smuggling or other tax-evasion.

- When NIM increased their taxes by 75 cents in 2010, state pack sales declined by almost 8% and increased revenue by 68% generating \$37.5 million in revenue.

Prevention & Cessation Funding Declines

Prior to this fiscal year DOH received \$5,435,2000 for prevention & cessation

Because of reduced settlement \$\$\$ down to \$3,727,300 a cut to programs of \$1,707,900

CDC recommends New Mexico spend a minimum of \$22.8 million annually on prevention

E-Cigarette Revenues in New Mexico

	<u>FY20</u>	<u>FY21</u>
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E-Liquid Total Tax:

(12.5% of wholesale value)	\$197,550	\$262,894
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Closed-System Cartridges Total Tax:

(\$0.50 per cartridge)	\$1,490,184	\$1,273,186
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Sub-Total E-Cigarette Products Total Tax:	\$1,687,734	\$1,536,080
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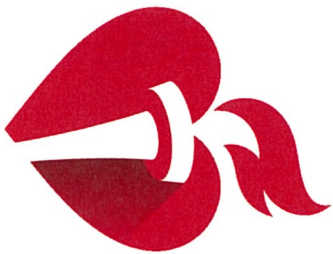
(Utah: 56% of wholesale value; Colorado: 30% of manufacturer list price; Texas and Arizona have no taxes)

Increasing
Tobacco
Taxes: A
Win-Win-
Win

- **A win for public health**
- **A win for state budgets**
- **A win among voters**

The Ask





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American
Lung Association®
New Mexico



Thank You!