



**NATIONAL LOCAL
ADVOCACY ALLIANCE**

Local Cigarette and Tobacco Taxes

Background

In some states, local governments have been granted the authority by the state legislature to impose local cigarette or tobacco taxes on the retail sale of tobacco products.

Often, the purpose of these taxes is to raise revenue for various spending initiatives and projects, and they are introduced to promote public health.

However, if the tax discourages adult consumers from switching from the most harmful to significantly less harmful alternatives, local tobacco taxes are actually detrimental to the public health.

Arguments Against Adopting or Increasing Local Cigarette and Tobacco Taxes

Local cigarette and tobacco taxes often cause adult consumers to either travel to nearby communities or purchase some products online just to avoid the local tax.

- Tobacco is often purchased in conjunction with gasoline, food, beverages, and other items by adult consumers. Driving all of these purchases outside local jurisdictions because of high cigarette or tobacco taxes not only causes harm to local, taxpaying businesses, but local tax revenues suffer as well.

Local cigarette and tobacco taxes encourage development and growth of illicit markets where underage compliance goes unchecked and governments derive no revenue.

- For example, New York City's high cigarette tax rate is the reason an estimated 60 percent or more of New York City tobacco sales occur outside legal channels. As a result of the illicit market, the city loses as much as \$900 million per year in revenue due, according to the Tax Foundation.

With tobacco stores dependent on the sales of their products for virtually all of their profits and with convenience stores relying on tobacco sales for nearly 40 percent of in-store sales, a downturn in cigarette and tobacco sales would result in employee layoffs and store closures.

Conclusion

High local taxes on cigarettes and tobacco create an anti-business environment in communities. These regulations serve as a disincentive to business expansion and new locations opening in your towns, cities, or counties.

Information Source: The National Association of Tobacco Outlets, Inc.