



Health Education Inc.

Preventing Tobacco Use in Nebraska

BILL SUMMARY AND ANALYSIS

LB 190, Introduced by Sen. Bill Kintner Referred to Revenue Committee

The bill would make no change in current tax rate on low-end cigars, cheroots and stogies. It would leave the tax rate for low-end products at 20 percent of the purchase price of the cigars, cheroots, or stogies paid by the first owner or the price at which a first owner who made, manufactured, or fabricated the cigars, cheroots, or stogies sells the items to others.

For premium products, by contrast, it limits the maximum tax for each cigar, cheroot, or stogie to fifty cents, effectively cutting the tax rate for these products.

Public Health Implications

Much research has been done on excise taxes and cigarettes, showing that as price goes up, use goes down. Given this research, organizations including the Institute of Medicine (IOM) recommend raising the price of both cigarettes and non-cigarette tobacco products. The IOM has cited cigarette and other tobacco products one of the most effective tobacco control measures for reducing tobacco use. And the Tobacco Control Legal Consortium states: "Increasing the price of tobacco products by raising tax rates reduces the demand for the products, which, in turn, leads to significant reductions in the use of tobacco by current consumers and in the initiation of tobacco use by youths, significant reductions in health care and productivity costs related to tobacco use, and significant increases in state revenue."

"Tobacco tax reforms that raise non-cigarette tobacco tax rates, make them parallel to the tax rates for cigarettes, and improve regulatory mechanisms will help curb this phenomenon, drive down tobacco use and related costs, and increase state revenue."

Issue Commentary

This legislation would add a cap on the cigar tax rate. By contrast, the Campaign for Tobacco Free Kids (CTFK) recommends eliminating caps on cigar tax rates. From CTFK: "A cap on state cigar taxes (e.g., no more than \$1.00 per cigar) is just a subsidy for those wealthier smokers who buy and smoke the most expensive brands. By eliminating any existing cap, a state can not only end that subsidy, but also gain new revenue. At the very least, any existing caps on cigar taxes should be increased and indexed to inflation. To hinder below-market sales and predatory pricing, a minimum tax (e.g., 10¢ per cigar) could also be added."

Bill Notes

This bill retains the current taxation rate for tobacco products other than cigars, cheroots, stogies and snuff for low-end products. But it caps the price per unit at 50 cents for each cigar, cheroot and stogie. So the bill reduces the tax rate on premium cigars, cheroots and stogies.

Fiscal Impact

An analysis of fiscal impact of this bill has not been reported. Fiscal impact of this bill may include the following:

This bill could result in a reduction to the state's revenue from premium-end cigars, cheroots and stogies. Projections for any impact on revenue have not been reported.

It's unknown what impact would be on health care costs. According to the Centers for Disease Control and Prevention, estimates of annual direct health care costs related to smoking are between \$130 billion and \$180 billion per year, nationally. Reductions in tobacco use lead to health savings, in the immediate term, and in the long-term.

Special Note

Under the last session of the Nebraska Legislature, Sen. Kintner also introduced a similar measure as LB762. However in LB762, as introduced, the tax rate would have changed to 22 percent, rather than remaining at 20 percent as LB190 states.

You can follow this and other tobacco-related bills at healtheducation.org.