

# Cigarette taxes in the united states

[Countries](#), [United States](#)



A cigarette is a product consumed through smoking and manufactured out of cured and finely cut tobacco leaves, which are combined with other additives including nicotine, the rolled or stuffed into a paper-wrapped cylinder.

Cigarettes are proven to be addictive. Apart from this, cigarette also is one of leading causes of lung cancer as well as birth defects. Nowadays, more people all around the world are becoming addicted in cigarette smoking. Governments around the world are alarmed in the increasing number of people using cigarettes.

As a result, the government imposed cigarette taxes in order to regulate its use. Cigarette tax is a tax measure levied to cigarette manufacturers. It is paid by a distributor and eventually passed on the consumers as value-added tax. Cigarette taxes usually emerged as a form of “sin tax”. The terminology was coined for taxes imposed on products that serve as vices or usually forms part of a connotative “sin”. Sin taxes are deemed to be imposed not only to cigarettes but to alcohols as well. The religious sector considered smoking and drinking as evil and – in effect – they are pushing the government to impose a higher tax so that people would no longer avail it.

There are many reasons why the government opted to impose taxes in cigarettes. One of the most important reasons is to promote an effective antismoking policy. Higher taxes would discourage consumers, especially the youth, to purchase it. There has also been suggestions that cigarette taxes be used to address the financial costs since it is believed to inflict harm to the rest of society, caused by environmental tobacco smoke.

Moreover, there are two forms how a cigarette is tax is levied. First, though tax imposition based on unit sales and second as ad valorem taxes. As clearly defined, a tax imposed based on unit sales is a tax charged as a fixed amount on the sale of each unit of a product, usually on a tax per pack basis. [2]

Generic brands will consequently pay the same tax. An ad valorem tax, on the other hand, is typically imposed at the time of a transaction, usually sales tax or value added tax.[3] In this case premium brands consequently pay a higher tax amount than lower priced brands. In addition, ad valorem taxation of cigarettes may have adverse effects to the extent that cheaper brands pose greater risks.

Meanwhile, the sale of cigarettes in the United States is regulated by federal, the states and the local laws and is strictly enforced by the different states. Each state has a different tax rate for the sale in cigarette and tax exemption. Like in New York, the sale of cigarettes is governed by their local laws.

It imposes certain rates and certain exemptions in different circumstances. The consideration in the imposition of taxes is whether it is bought for resale or consumption. Cigarette tax is paid once on each pack of cigarettes, generally by the wholesale vendor, who passes the cost on to the retail buyer through the price of the cigarettes. The tax is imposed at a rate of 75 cents for each ten cigarettes or fraction of a group of ten or \$1. 50 for a standard pack of 20 cigarettes. However, if a package of cigarettes contains more than 20 cigarettes, the rate of tax on the cigarettes over twenty is 38 cents for each five cigarettes or any fraction of a group of five.[4]

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However, taxes are not allocated on cigarettes in the following circumstances: these are the use of cigarettes packed in two cartons or less in New York City; or if the user brings the cigarettes into the city for use, not for sale.

In addition, taxes are not allocated as well if: cigarettes are sold to the United States Government; if cigarettes are sold to or by a voluntary unincorporated organization of the armed forces operating a place for the sale of goods pursuant to federal regulations; if cigarettes sold to the State of New York, or any public corporation, or political subdivision of the state, not for resale; cigarettes possessed by an agent or wholesale dealer for sale to an out-of-city dealer, or for sale and shipment to a person in another state for use there; and cigarettes sold to the United Nations, its personnel and certain qualified diplomatic personnel.[5]

Each state in the United States imposes different taxes, which in effect tends consumers to travel to a nearby state in order to obtain cigarettes with a much lower tax. By purchasing cigarettes in a nearby state, taxes are being avoided to be paid in their home town state. Hence, this makes the consumers stirred toward illegal trading like smuggling.

In member-states of the European Union, it is almost a comparable condition in the United States, where different members of the Union has a different tax rate. The reason for giving a high tax for cigarette in the European Union is to prevent lung cancer and to encourage smokers to quit, especially the minors. To make their policies effective, the European countries made some campaign. Like in France, they put a picture of a gruesome diseased lung plastered all over cigarette packets. Meanwhile, smoking in Ireland will be

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forbidden in all workplaces, including pubs, bars, and restaurants. And in Britain, the authorities persuade the bar and restaurant owners to improve their ventilation and expand non-smoking areas.[6]

The European policies with regards to cigarette are not to ban cigarettes as well as cigarette smoking but aimed to reduce cigarette sales. However, these policies tend to increase the sale of smuggled or counterfeit cigarettes within the European Union.

Today many countries are concerned in conducting policies with regards to youth smoking. Many people have picked up the habit of smoking when they are young. In fact, it has been said that about 90% of all adult smokers started when they were young. Furthermore, there are more than 4, 400 kids which have become regular smokers everyday.[7] There are influential factors behind the increase in teen smoking cases. One of the most important factors is whether the parents smoke in the home and allow their children to do the same. This factor is more influential than imposing taxing on the product. If parents allow their children to smoke and making themselves as an example, the imposition of tax measures on the product would not be effective.

One way of preventing youth smoking is to enforce higher taxes the cigarettes. Through taxes the young ones are discouraged to buy cigarette. As a result, this can prevent them from smoking. However, the effectiveness of the tax measure would not solely depend on high tax imposition but also on educating the youth with the dangers brought about by cigarette smoking. Should the youth be smoking, it is not yet too late to give counseling in order to help him eventually quit the vice.

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As we all know smoking is a very dangerous consumer habit. Although this has been the case, more and more people indulge with the vice due to lack of awareness of the risks involved with it. If only the people are aware of the risks, they can poise the apparent benefits and expected costs of the activity and choose to smoke if doing so enhances their welfare.[8] In this case, the government or the authorities should conduct information campaign in the dangers of smoking to the consumers.

In cigarette tax, the lower income group in such country is more likely the affected. With the imposition of taxes, it is not the framers of the law who will be affected in the burden of the tax but rather the poor consumers who are using the product.

All countries in general have the same reason and principles for cigarette taxation; however, its enforcement is varied. Each country has its own policies to make their goal effective. They main goal is to eliminate smoking but our existing system cannot ban cigarette. What needs to be done or rather can be done by the government is to simply regulate it. Imposing taxes on cigarette is a means to lessen the cigarette smokers rather than to generate revenue.

As emphasized in this paper, higher taxes could discourage smoking and eliminate the market. However, taxing the cigarette will not be effective if there is no strong campaign in attaining their goal. Now, different countries come up with campaigns discouraging the use of cigarette by making a zonal area where they can only smoke and by placing an image of gruesome diseased lung in every pack of cigarettes. The effect of such levying of taxes

as well as enforcement of policies will depend on the absurd decision-making of consumers.

This is primarily because even though the government plans to increase the price of the cigarettes or make a strong campaign against it, there are still possibilities that smokers will overlook it and as a result, consumers will still continue buying cigarettes. In addition, such policies will attract smugglers to smuggle cheaper products and will create a counterfeiting products. These illegal acts can be prevented depending on the insurance structure in a country. If the country has a strong structure and great political will, it can prevent such illegal acts and in effect it can lead to effective policies.

In terms of youth smoking, taxing the cigarette is not the only reason why it the campaign for it become effective. There were regulatory mechanisms is developed, such as minor restriction in purchasing cigarettes. But, such policy is would be effective if their alsoeducationto the youth the danger of smoking to theirhealth. Some countries, lack this kind of policy to educate the youth. In educating the youth from the start will prevent them not to smoke in the future.

However, the imposition of ad valorem taxes on cigarettes does not promote good objectives as well. In conclusion, what needs to be enforced is an effective and aggressive policy on cigarette.

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