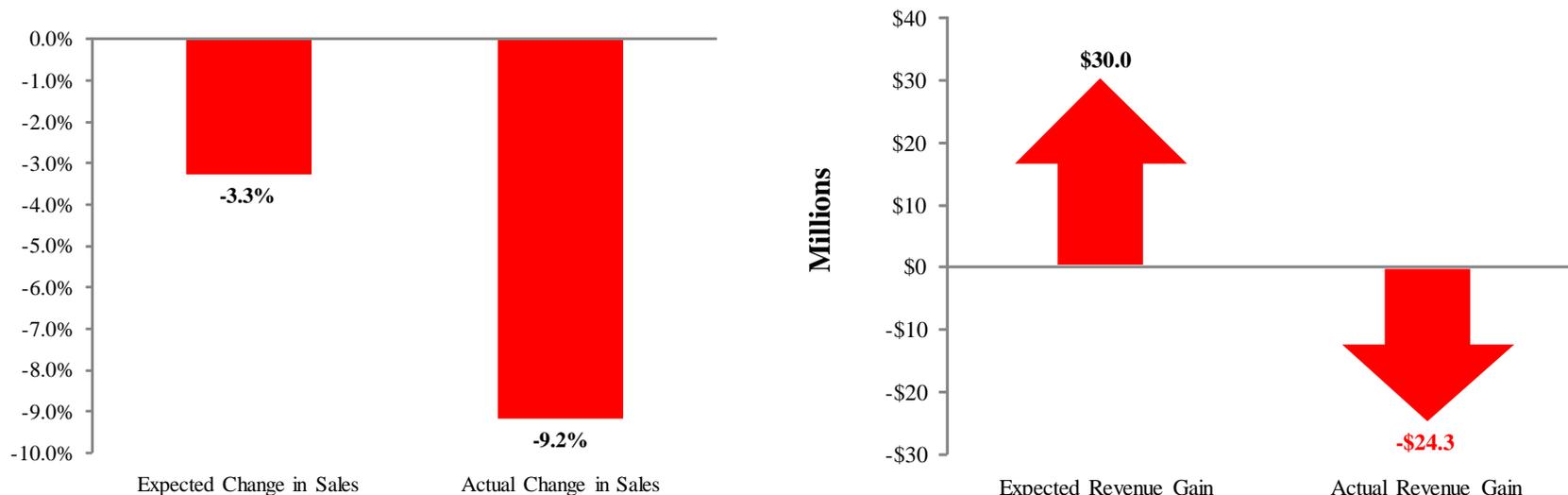


New Jersey's 2006 Cigarette Excise Tax Increase Contributed to a Decline in Total Cigarette Tax Revenues

In July 2006, New Jersey's cigarette excise tax increased from \$2.40 per pack to \$2.575 per pack. The 17.5 cent tax increase was expected to raise an additional \$30 million in state revenue.¹ Instead of raising revenues, the cigarette excise tax increase contributed to a substantial **loss** of tax revenues notwithstanding the increase in the amount of the cigarette tax.

The two figures below show the actual versus expected decline in tax-paid cigarette sales revenue following the 17.5 cent tax increase. Tax-paid sales were expected to decline by 3.3% but actually dropped by 9.2%, causing an actual revenue loss of \$24.3 million dollars.²



Instead of New Jersey having more revenues to fund government programs, the 17.5 cent cigarette excise tax increase led to substantially lower cigarette excise tax revenues to support the state's operations.

¹ Assembly Budget Committee Statement to Assembly, No. 4705, State of New Jersey, July 7, 2006.

² Bill Orzechowski & Rob Walker, *The Tax Burden on Tobacco*, vol. 44 (forthcoming February 2010); funded in part by Altria Client Services Inc.

