

Cigarette Excise Tax Increases Miss Revenue Projections

The following table examines the 20 most disappointing revenue shortfalls that occurred following increases to cigarette excise taxes since July 1, 2002. Between Fiscal Year 2003 and Fiscal Year 2008, 67 state excise tax increases went into effect. Of these increases, only in 20 cases did the actual increase to state tax revenues meet or exceed the estimates made by internal state offices in the first year following the increase.¹ In 45 instances, states fell short of projections—one state, New Jersey, fell short by 181%.²

State and Date	Tax Increase	Est. Rev. Increase (millions)	Act. Rev. Increase (millions)	Difference (millions)	Diff. As % of Est.
NJ 7/1/2006	\$0.175	\$30.00	(\$24.34)	(\$54.34)	-181%
AK 7/1/2007	\$0.20	\$4.50	\$1.12	(\$5.62)	-75%
NJ 7/1/2004	\$0.35	\$65.80	\$21.40	(\$44.40)	-67%
WY 7/1/2003	\$0.48	\$25.30	\$10.40	(\$14.90)	-59%
HI 10/1/2002	\$0.20	\$33.00	\$13.80	(\$19.20)	-58%
HI 7/1/2003	\$0.10				
NH 7/1/2007	\$0.28	\$45.00	\$22.68	(\$22.32)	-50%
AZ 12/4/2006	\$0.82	\$188.30	\$97.80	(\$90.50)	-48%
CT 3/15/2003	\$0.40	\$25.50	\$14.60	(\$10.90)	-43%
TN 7/1/2007	\$0.42	\$228.00	\$133.48	(\$94.52)	-41%
GA 7/1/2003	\$0.25	\$180.00	\$117.10	(\$62.90)	-35%
CT 7/1/2007	\$0.49	\$86.40	\$59.15	(\$27.25)	-32%
AZ 11/5/2002	\$0.60	\$90.20	\$62.40	(\$27.80)	-31%
DE 8/1/2007	\$0.60	\$46.90	\$32.22	(\$14.68)	-31%
MT 1/1/2005	\$1.00	\$17.60	\$12.30	(\$5.30)	-30%
RI 7/1/2004	\$0.75	\$26.50	\$19.00	(\$7.50)	-28%
OK 1/1/2005	\$0.80	\$76.60	\$55.00	(\$21.60)	-28%
DC 1/1/2003	\$0.35	\$5.80	\$4.20	(\$1.60)	-28%
OR 11/1/2002	\$0.60	\$70.70	\$53.70	(\$17.00)	-24%
IN 7/1/2007	\$0.44	\$205.00	\$155.40	(\$49.60)	-24%
MI 7/1/2004	\$0.75	\$210.20	\$160.60	(\$49.60)	-24%

These historical revenue shortfalls suggest that states may not collect as much revenue as expected following a cigarette excise tax increase.

¹ There are only 65 states where there is enough data to determine the difference in projected versus actual revenue. In two instances, increases in New York and Hawaii, the data was not available.

² *State Cigarette Excise Tax Increases: A Comparison of Projected versus Actual Revenue FY 2003 -2008*, FISCAL PLANNING SERVICES, INC., (January 1, 2009); prepared for and funded by Altria Client Services Inc.

