Economic Perspectives on Smokeless/Spit Tobacco

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http://www.uic.edu/~fjc
<table>
<thead>
<tr>
<th>Date Range</th>
<th>Chewing Tobacco</th>
<th>Snuff</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/86</td>
<td>8¢/lb</td>
<td>24¢/lb</td>
</tr>
<tr>
<td>7/1/86-12/31/90</td>
<td>10¢/lb</td>
<td>30¢/lb</td>
</tr>
<tr>
<td>1/1/91-12/31/92</td>
<td>12¢/lb</td>
<td>36¢/lb</td>
</tr>
<tr>
<td>1/1/93-12/31/99</td>
<td>17¢/lb</td>
<td>51¢/lb</td>
</tr>
<tr>
<td>1/1/00-12/31/02</td>
<td>19.5¢/lb</td>
<td>58.5¢/lb</td>
</tr>
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</tr>
</tbody>
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Federal Taxes and Tobacco Product Prices

• Data from Ron’s Smoke Shop, Seneca Nation Indian Reservation, NY – Internet
  – Carton of major brand cigarettes:
    • $25.95 - $3.40 federal tax: 13.1% of price
  – 10-pack major brand snuff
    • $25.95 – 76.5¢ federal tax: 2.9% of price
  – Case of major brand chewing tobacco (6 pouches)
    • $23.50 (regular price) – 51¢ federal tax: 2.2% of price
United States
Smokeless Tobacco Excise Tax

- Specific Tax (2)
- 50% or higher (5)
- 25-49% (13)
- 1-24% (24)
- No tax (7)

Map showing the distribution of smokeless tobacco excise taxes across the United States for the 1999 4th Quarter.
Econometric Research: Cigarette Smoking

• Large literature on impact of taxes on cigarette smoking:
  – Overall price elasticity: –0.4
  – Youth, low-income persons more responsive to price
  – Long-run impact of sustained price increase larger
  – Significant revenue generating potential
Econometric Research: Smokeless Tobacco Use

• Few studies of smokeless tobacco demand
    • Higher smokeless tobacco taxes significantly reduce probability of smokeless tobacco use among males 16 years and older
    • Younger males more price sensitive than older males
    • Evidence of substitution from cigarettes to smokeless tobacco in response to higher cigarette taxes
Econometric Research: Smokeless Tobacco Use

• Chaloupka et. al (1997)
  – Higher smokeless tobacco taxes and prices significantly reduce both the probability and frequency of smokeless tobacco use among teenage males
  – Overall price elasticity –0.59; 2/3 of effect on probability of use

• International evidence
  – Higher smokeless tobacco taxes and prices reduce various measures of smokeless tobacco use
  – Evidence of substitution among tobacco products
Summary

• Federal and state taxes on smokeless tobacco products rising over time
• Taxes as a share of price for smokeless tobacco products well below taxes as share of cigarette prices
• Increases in smokeless tobacco taxes would significantly reduce smokeless tobacco use, particularly among youth, young adults
• Substitution among tobacco products likely in response to relative price changes