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New Approach Needed For Taxing Tobacco

By BRAD RODU

Once again, Florida state finances are in trouble. And once again the tendency is to force tobacco users, in the form of excise taxes, to help balance the budget.

To the casual observer, this appears to be a no-brainer. Lawmakers face only minimal constituent pressure to oppose new taxes because only 23 percent of Florida residents smoke. Even so, in fiscal year 2003 smokers generated \$513 million in revenue for Florida from the indirect "tax" disguised as the national master tobacco settlement agreement and \$441 million more from state excise taxes. That's almost a billion dollars! But lawmakers want more, and they will rely on the usual public health arguments from the usual anti-tobacco crusaders to justify even higher taxes. Yet public health is exactly why lawmakers should establish a rational approach to tobacco excise taxes.

Excise taxes on tobacco products may be inevitable, but they don't have to be illogical. A common-sense approach is to tax tobacco products according to risk. Cigarettes, widely acknowledged as the most dangerous products, are already taxed at high levels, ostensibly to discourage consumption. But the health impact of smokeless tobacco use is much lower; scientific and medical research has confirmed that smokeless tobacco use carries only about 2 percent of the risk of smoking. A rational tobacco tax policy would set taxes on smokeless products at 2 percent those of cigarettes. In Florida the excise tax on a package of smokeless tobacco should be a penny, based on the current cigarette excise tax of 34 cents. Instead, the tax on smokeless tobacco is a whopping 67 cents, almost double the tax on cigarettes.

Taxing tobacco products according to well-established risks will serve the public health goal of reducing the death toll from cigarette smoking. Economic research shows that a large price differential encourages cigarette smokers to switch to smokeless tobacco. A growing number of public health experts, including the prestigious Royal College of Physicians in Britain, recognize that smokeless tobacco may be an acceptable substitute for smokers who have been unable or unwilling to quit. They point to evidence from Sweden, where men have smoked less and used more smokeless tobacco over the past century than in any other Western country. The result: Swedish men have the lowest rates of lung cancer — indeed, of all smoking-related deaths — in the developed world.

How have the Swedes achieved this reduction in smoking? First, placing tobacco discreetly inside the mouth is far safer than setting it on fire and inhaling the smoke, and the Swedes know it. In contrast, American smokers have been misled into thinking that smokeless tobacco is just as dangerous as smoking.

Worse Yet

Prohibitionists in control of the American antitobacco movement oppose telling adult smokers about alternative tobacco products that are far safer. Second, smokeless tobacco satisfies because it delivers nicotine almost as efficiently as a cigarette. Nicotine is addictive, but it causes none of the diseases associated with smoking. Third, modern products can be used invisibly and as easily as breath mints. Finally, in Sweden the price of smokeless tobacco products is less than half that of cigarettes, the difference reflecting levels of taxation.

Switching from cigarettes to smokeless tobacco, called "harm reduction," has worked convincingly in Sweden, and it can work in Florida, where 30,300 people die each year from smoking-related diseases. When it comes to taxes, there are no easy answers. But a rational tobacco tax strategy based on risk is as compelling as it is innovative because it allows lawmakers to meet their fiscal responsibility while fulfilling their moral obligation to help smokers who are desperate to quit.

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