

Increasing the Tobacco Tax to Pay for SCHIP

To find the money to pay for an additional \$50 billion over five years for SCHIP, Congress can either raise taxes or cut existing programs. There are several options for paying for additional SCHIP funding, but only a few of them will provide a significant share of the funds needed. One of these options is a 61 cent increase in the federal tobacco tax, which would raise the tobacco tax from 39 cents to \$1.00.

Increasing tobacco taxes leads to improvements in children's health and is a logical way to pay for an expansion in children's health coverage.

- Every 10 percent increase in the tobacco tax reduces overall smoking by four percent and youth smoking by nearly seven percent.
- A 61 cent increase in the federal tobacco tax would result in 1.8 million fewer youth smokers and 599,000 fewer premature deaths due to smoking-related causes.
- A higher tobacco tax would mean healthier adults, healthier children, and hundreds of millions of dollars in health care savings (including money saved from fewer heart attacks, strokes, and smoking-harmed births).
- A recent Institute of Medicine report found troubling evidence that after years of decline, youth smoking rates have plateaued. This report suggests that one of the most effective ways to induce further declines in teen smoking would be a significant increase in the tobacco tax.

The public supports increasing tobacco taxes.

- The majority of voters from both political parties support increasing tobacco taxes, and their support for these increases is unrelated to the amount of the tax.
- Voters prefer increasing tobacco taxes to cuts in other programs as a way to raise public revenue.

An increased tobacco tax will raise enough revenue to pay for a significant portion of the new funding needed for SCHIP.

- Raising the federal tobacco tax by 61 cents to \$1.00 per tobacco product would generate an estimated \$35 billion over five years.

There is bipartisan support for increasing the federal tobacco tax.

- Senator Gordon Smith (R-OR) proposed an amendment to this year's budget resolution that calls for a 61 cent increase in the federal tax on tobacco products to fund children's health care. The amendment passed in the Senate by a vote of 59-40.

If Congress succeeds in raising the federal tobacco tax, the only clear losers will be the tobacco companies, whose sales would decline. Everyone else wins – the nation will see better health, lower health care spending, and more funding for children's health insurance programs. Congress should include an increased federal tobacco tax as at least one of the funding sources for the \$50 billion in new federal spending needed for SCHIP reauthorization.