On April 1, 2009, the U.S. federal cigarette tax rate increased by 61.66 cents per pack to provide funding to renew the State Children’s Health Insurance Program. As a result, federal cigarette tax revenues increased 129% (or $8.7 billion), cigarette pack sales declined 11%, and smoking among youth and adults declined.

The most effective method for reducing tobacco consumption is to increase the price of tobacco products through tax increases. Higher tobacco prices encourage cessation among existing tobacco users, prevent initiation among potential users, and reduce the quantity of tobacco consumed among continuing users.

### Impact of Tax Increase

**Tax and Price**

While the federal cigarette tax rate had increased 158% after April 1, 2009, the average retail price of cigarettes increased by 22% between November 2008 and November 2009.

**Sales**

Cigarette sales dropped by 11.1% in the twelve months after the rate increase went into effect.

**Prevalence**

Adult smoking prevalence declined by 6.3% from 20.6% in 2008 to 19.3% in 2010. Immediately after the federal tax increase, tobacco use among youth (8th, 10th, and 12th graders) declined between 9.7% to 13.3%.

**Reduction of Smokers**

The increase in cigarette price resulted in increased cessation and reduced smoking initiation. There are an estimated 3.1 million fewer adult smokers after the increase, and according to Huang et al., just the immediate 9.7-13.3% decline in youth smokers resulted in an estimated 220,000 to 287,000 youth prevented from becoming smokers.

**Government Revenue**

Increases in tobacco tax and price led to higher tobacco tax revenues despite falling consumption. Government cigarette tax revenue increased by 129% from $6.8 billion in the 12 months before the increase to $15.5 billion in the 12 months after.

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**Sources**

- U.S. Alcohol and Tobacco Tax and Trade Bureau.