

Taxing Tobacco by Weight Rather Than Percent of Wholesale Price Helps Tobacco Companies, Hurts Kids and Ohio



Most states, including Ohio, tax spit or chew tobacco, cigars, pipe tobacco, and other non-cigarette forms of tobacco at a percentage of their wholesale price. However, US Smokeless Tobacco Company (UST) has been aggressively pushing to change the tax to base it on weight instead of price. Their motive is to reduce the tax rates on their higher-priced premium products while raising the tax on the lower-priced products sold by their competitors.

However, a change to a weight-based tax would lead to serious problems for our state and our children.

A weight-based smokeless tax system makes the brands kids use cheaper.

- Kids use UST's candy-flavored brands. More than half of smokeless tobacco users between the ages of 12 and 17 use Skoal and Copenhagen, popular premium brands. Skoal comes in berry, cherry, and apple—hardly a product intended for adult use.¹
- Encourages kids to use. Changing the tax structure would make the tobacco that kids use most cheaper. The cost change would also encourage teenagers to start by making it more accessible.²

A weight-based smokeless tax system makes spit and chew tobacco cheaper for most users.

- Most users buy UST brands. A weight-based tax on smokeless tobacco would decrease the costs of widely popular premium spit and chew tobacco brands. Jointly, Skoal and Copenhagen control over 60% of the U.S. smokeless tobacco market share.³
- Discourages cessation. Cheaper tobacco would encourage users to keep using this dangerous product instead of quitting.

A weight-based smokeless tax system will lead to bureaucratic, logistical, and administrative difficulties for the Ohio Department of Taxation.

- Different standards for different products. Many types of smokeless tobacco exist, and new ones are constantly being developed. Because of the wide variety and the different weight-to-nicotine levels, a weight-based system will require a complicated series of different tax standards for each and every type of smokeless product.
- Regular inspections necessary. Under the current system, a wholesaler's compliance can be confirmed by

Cherry Skoal is for someone who likes the taste of candy, if you know what I mean.” – Former UST sales representative, 1994



a simple review of business sales. A weight-based tax system does not provide a simple weight-based document trail and would require the government to regularly inspect tobacco products to assure that the reported weights are accurate.

A weight-based smokeless tax system will lead to manipulation of tobacco products and a potential loss of revenue.

- **Manipulation of weight and nicotine to reduce taxes.** A weight-based tax system will encourage manufacturers to reduce the weight in proportion to nicotine to pay the least amount of tax. The high nicotine products created could be more addictive.
- **New lightweight tobacco would have low taxes.** New forms of smokeless tobacco, like spit-free snuff and tobacco lozenges, are lightweight and thus likely to have a very low tax. It would be unwise to change the way smokeless is taxed just as Philip Morris, RJ Reynolds and UST gear up to promote their new spit-free products. In fact, Columbus, Ohio, was the test market for RJ Reynolds' Snus new lightweight smoke-free spitless tobacco and is currently the test market for their new dissolvable products—Orbs, Strips and Sticks.
- **Does not account for inflation.** A weight-based tax system would require a great deal of accurate economic foresight or constant revision of the tax rate. Otherwise, the value of the tax would decline over time leading to reduced revenue. The current system automatically accounts for inflation, increasing the amount of the tax as the price of the product rises.
- **Data indicates tax decrease in weight-based system.** In at least one state, tax revenue decreased when the state adapted a weight-based tax system.⁴

¹ C. Delnevo, M.J. Lewis & J. Foulds, Taxing Moist Snuff by Weight Ain't Worth Spit, 16 *Tobacco Control* 69 (2007).

² Ibid.

³ Substance Abuse and Mental Health Servs. Admin., *National Survey on Drug Use & Health Codebook Data File: PUF2004_042406* 20, <http://webapp.icpsr.umich.edu/cocoon/SAMHDA-STUDY/04373.xml> (last visited August 20, 2007).

⁴ C. Delnevo, M.J. Lewis & J. Foulds, Taxing Moist Snuff by Weight Ain't Worth Spit, 16 *Tobacco Control* 69 (2007).

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