

## CIGARETTES VS. TAXES

*This year U. S. Treasury officials have proposed that the tax on cigarettes be raised again, from seven cents a pack to ten cents. Just what this would mean to the American public is presented in a booklet by Hugh Crane, "About Cigarettes and Taxes." In the following we present some of the facts in the booklet by permission of Liggett & Myers Tobacco Company.*

The popular priced cigarette is one of the mass production achievements of the twentieth century.

The cigarette industry is now in this century. Cigarettes were known, of course, before 1900, but only by rich people who could afford the high cost of hand production. Until this century cigarettes were the kind of luxury that went with fine brandies, oak-paneled drawing rooms, and old paintings. As a product, cigarettes were then "class." Today they are "mass."

Cigarettes have become one of the daily necessities of millions of Americans. They are the common currency of courtesy in this country, the initial bond of friendship between callings and classes. They are the poor man's satisfaction as well as the rich man's pleasure.

In North Carolina, one of the seven states that does not levy a tax on cigarettes, the average price per pack is about 17 cents. Of this 17 cents, the farmer gets 4 cents, the manufacturer gets 3 cents, the distributor gets 3 cents, and the Federal Government gets 7 cents. If the Federal tax was increased to 10 cents, 50 percent of the price we pay for each pack in this State would go to the Federal Government.

Who pays the cigarette tax? This is a question which should be of interest to everyone.

The cigarette has long ceased to be a sign of "ready money", or its use to be any "mark of class distinction." In his leisure hours men on the Replacement Crew will smoke just as much as the plant superintendents, just as the Private first-class smokes as much as the General. And by and large the same brands, and at the same prices.

There are a number of statistical evidences that cigarettes bulk larger in the "poor man's" budget than in that of families in the higher income brackets.

In any case, it is obvious that to the pack-a-day smoker making \$50.00 a week, the cost of cigarettes looms at least four times as large as to the smoker making \$200 a week. A man who smokes a pack a day pays over \$25.00 a year in Federal tax on cigarettes, whether he be millionaire or shoeshine boy. He would pay a further annual tax of over \$10.00 under the Treasury's proposal of an additional 3 cents per pack in federal tax.

He would thus be paying as much tax on his cigarettes as he would be paying in income tax, at present rates (1950), if he were:

- (a) Married but childless and with an income of \$1625;
- (b) Married, with one child, and an income of \$2300; or
- (c) Married, with two children, and an income of \$2950.

In other words, a man on the present-day average factory wage and with a wife, and two children, smoking a package of cigarettes a day, would under the Treasury's proposal and under the average state cigarette tax, have to pay as much in cigarette taxes as in income taxes. If his wife smoked a pack a day, they would together pay twice as much a year on their cigarettes as on their income.

The Secretary of the Treasury has asked Congress to raise an estimated \$500,000,000 in addi-

But it is by no means certain that such an increase would actually raise even this much revenue. tional tax on cigarette smokers of 3 cents per pack of 20 cigarettes. This would be in addition to the approximately \$1,250,000,000 a year which the Treasury is already obtaining on cigarettes.

It is possible that the proposed increase in cigarette taxes might, instead of proving so productive as the Treasury hopes, have the reverse effect of discouraging consumption and so defeat its own purpose.

Combined federal, state and local cigarette taxes have reached the danger point of "diminishing returns," where a further increase may, by its impact on people in the lower income brackets, actually result in decreased consumption and so produce no appreciable increase in tax revenue.

This would mean that the livelihood of several hundred thousand people in an important industry would be jeopardized by the proposed increase in the federal tax on cigarettes.

60,000,000 cigarette smokers or such are carrying a large and more than fair share of the federal tax today. If the additional taxes are levied on cigarettes, how much of the load will we be carrying tomorrow? The farmers, manufacturers and distributors get such a small share of the sales prices that they cannot possibly absorb this increase. It will have to be paid by you!