Don’t let cigarette tax hurt the poor

By Justine Lam
GUEST COMMENTARY

Does Lt. Gov Cruz Bustamante care more about the schools than the poor?
In a recent letter to the Times, he unveiled his plan to boost cigarette taxes to pay for tuition increases and justified it as helping hard-working families.

His proposal may sound plausible to the roughly 75 percent of Californians who don’t smoke, but it contains two major flaws that even nonsmokers should be aware of. It would result in a larger tax burden on California’s poorest, and it would eventually lose revenue for the state.

According to the liberal Institute for Taxation & Economic Policy, cigarette taxes hit low- and middle-income people 12 times harder than upper-income people. A single man in the lowest 20 percent income bracket in California who makes the average income of $11,100 and smokes a pack of cigarettes a day would pay almost 3 percent of his yearly income in cigarette taxes.

In addition, a Centers for Disease Control and Prevention study says that 31.4 percent of people who live below the poverty line smoke, compared with 23 percent of those who are not poor. Clearly, the poor will be shouldering most of this tax.

The purpose of funding public universities and colleges is to level the playing field by allowing the poor a chance to better their lives, but this additional cigarette tax would thwart that goal by taking money from the poor and thereby making higher education less attainable. The middle and upper-class will not be much affected by the tax but would benefit greatly because their tuition fees would not increase as much.

A National Institute on Drug Abuse study found that 12th-grade students who were not planning on going to four-year colleges had double the percentage of smokers compared to students with four-year college plans. It is unfair to put the cost of paying for college on a population that does not plan on attending.

Some health advocates argue that raising cigarette taxes will “help” the poor kick their habit of smoking, reasoning that the poor are more sensitive to price changes. However, according to a Tax Foundation report, smokers will purchase cigarettes through alternative channels if taxes are high enough, using legal or illegal means, such as the Internet, Indian reservations, and stores that buy smuggled cigarettes from other locales. In 1997, it was estimated that almost 10 percent of cigarettes consumed in California were smuggled, and a third of those cigarettes were smuggled from Mexico.

Since then, profit margins have increased 50 cents a pack, and as a result smuggling activity increased.

Eventually, these smuggling activities will cut deeply into cigarette tax revenue, negating the reason for the tax in the first place. If the goal of the tax was to reduce the number of smokers, educational campaigns would be far more effective at changing smokers’ habits.

Bustamante is using a noble cause, higher education, to push for an unnecessary and harmful tax. Advocating an increase in the cigarette tax to pay for higher education makes the tax more palatable to the public, especially to nonsmokers with kids in college.

However, revenues supposedly intended for education may be diverted to other programs that are not as necessary.

An alternative way to pay for tuition fees would be to cut spending on nonessential programs.

It would even be better to borrow more, though we’ve already done plenty of that. Bustamante thinks that “simply adding a few cents tax” will not be detrimental, but his cigarette tax increase will harm poor Californians who need every cent they have to achieve their dreams.

Lam is from Lafayette and graduated from UC Berkeley. She is spending this summer in Washington, D.C., studying public policy at the Tax Foundation.