



Get Healthy Philly Initiative: Pricing Strategies for Cigarettes

The Philadelphia Department of Public Health (PDPH) recently launched the *Get Healthy Philly* initiative to improve the health and well-being of Philadelphians through policy, systems and environmental change. As a policy initiative, increasing the unit price of cigarettes through the use of excise taxes is the most effective way to decrease smoking. With over 1 in 4 adults in Philadelphia who smoke cigarettes, increasing the price per pack of cigarettes from **\$5.50 to \$7.50** would decrease use by approximately 10%. In absolute terms, **there would be 30,000 fewer smokers in the city**. A \$2.00 per pack excise tax would generate approximately **\$100 million in annual revenue** for Philadelphia.¹ A tax increase plus other reforms (e.g., expanded access to nicotine replacement therapy, broader public health messaging, smoke free indoor air laws) combined can reduce adult and youth tobacco use.

The Challenge

While the recent state excise tax rise from \$1.35 to \$1.60 and the federal excise tax rise from \$0.39 to \$1.01 have increased the average price per pack in Philadelphia to \$5.50, the price per pack remains lower than in many other large cities.

	Federal tax	State tax	Local tax	Price per pack*	Smoking rate**
Philadelphia	\$1.01	\$1.60	\$0	~\$5.50	27.3%
Chicago	\$1.01	0.98	\$2.68	~\$8.50	21.6%
NYC	\$1.01	\$4.35	\$1.50	~\$10.60	15.8%

* Does not include sales tax; adapted from *The Tax Burden on Tobacco, 2008*. **Smoking rates from 2008 local surveillance data for Philadelphia, NYC; Chicago (Cook County) from 2008 BRFSS

❖ Because of the low price, adults continue to smoke and youth have easy access to cigarette products.

❖ Every pack of cigarettes leads to \$10.50 of health care costs from tobacco related diseases.

The Action Plan

- ❖ Convene a multi-agency City team, consisting of the Mayor's Office, Law Department, Commerce Department, Board of Health; PA Departments of Health and Revenue, and other local leaders and experts, to examine the feasibility, legality, revenue-related implications, and public health effects of a local tax on cigarettes.
- ❖ Model the effects of differing types and levels of taxes on smoking rates, tobacco consumption, tobacco sales, black market sales, state revenue, local revenue, and health care costs.
- ❖ Build public support for pricing strategies on cigarettes through a 4-part *Civic Dialogue* hosted by WHYY public TV and radio.
- ❖ Introduce legislation for a local tax to Philadelphia City Council and Pennsylvania state legislature within two years.

¹ Philadelphia's revenue: 300,000 smokers x ½ pack per day x 365 days x \$2= \$109,500,000

State's lost revenue: (300,000 smokers x .10[10% decrease in smokers]) x ½ pack per day x 365 days x \$1.60= \$8,760,000

Philadelphia's net revenue: \$109,500,000 - \$8,760,000= \$100,740,000