PostScript

LETTERS

Taxing moist snuff by weight ain't worth spit

Moist snuff has been traditionally taxed in US states using an ad-valorem tax (ie, percentage of price).¹ There is a movement afoot to change the taxation of moist snuff, from an ad-valorem to a weight-based system, and appears to be primarily promoted by US Smokeless Tobacco (UST).^{2,3} Effective 1 August 2006, moist snuff in New Jersey, previously taxed at 30% of the wholesale price, is now taxed by weight. The key rationale for the change was to reduce youth access to these products, on the basis of the assumptions that cheaper products are more attractive to youth and market share of these cheaper (ie, deep-discount) brands has grown considerably. The new tax, suggested to raise an additional \$2 million in revenue, was introduced during the state's struggle to balance the FY2007 budget.

We showed that the policy is flawed, fiscally and philosophically. Using ACNielsen data for New Jersey sales of moist snuff, we estimated tax revenue on the basis of consumption patterns using the old and new tax formulas. The 1.2 ounce comprised 90% of the moist snuff market and UST dominated, particularly in the premium product category, which made up 96% of sales. As the new taxation policy does increase the excise tax on deep-discount brands, it reduced tax revenues from premium products (table 1). A commonly held tenet in tobacco control is that increases in excise taxes result in reduced consumption and increased revenues.⁴ However, even if we assume New Jersey consumption stays static, the new tax will not only fall short of the projected additional revenue, but also generate less revenue than under the previous ad-valorem tax. Given the dominance of premium products

in the market, consumption of these products would have to increase to prevent a loss of revenue.

Although a prime rationale for the taxation change was to raise the price of cheap snuff, thus discouraging youth from buying it, most of the youth who use moist snuff use premium brands. Indeed, data from the 2004 NSDUH show that more than two thirds of youth snuff users reported usual use of premium, not discount brands, in particular UST's Skoal (40.3%), and Copenhagen (23.6%).⁵ This mirrors cigarette use in youth where premium products (eg, Marlboro) dominate the market, whereas discount brands have little market share.^{5,6}

Superficially, it appears that New Jersey's change from a relatively low ad-valorem tax to a high weight-based moist snuff tax would be beneficial. However, we show that taxing moist snuff by weight has numerous disadvantages. It likely will not produce the added income promised by its supporters. And it protects the manufacturer from the effect of ad-valorem taxes on increases via wholesale price or inflation.⁷ Most importantly, the benefits to tobacco control are suspect; the new system effectively reduces the price on the premium brands that most people, including youth, use. Policymakers and tobacco control advocates need to carefully consider the effect of these taxes and not be duped into endorsing what superficially seems to be a good thing.

C Delnevo, M J Lewis, J Foulds

UMDNJ-School of Public Health, New Jersey, USA

Correspondence to: Assistant Professor C Delnevo, UMDNJ-School of Public Health; 317 George Street, Suite 209, New Brunswick, New Jersey 08901, USA; delnevo@umdnj.edu

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Table 1 Sales of 1.2 oz cans of moist snuff sold in New Jersey during FY2005 by brand and estimated tax revenue by ad-valorem and weight

	Unit sold	Market share (%)	Average wholesale price*	Estimated tax revenue at 30% wholesale	Estimated tax revenue at \$0.75 per oz.
Premium					
Skoal†	1330 414	58.70	\$3.17	\$1 265 224	\$1 197 373
Copenhagen†	480 868	21.20	\$3.17	\$457 305	\$432 781
Kodiak	345 601	15.30	\$3.14	\$325 556	\$311 041
Hawken	26 013	1.10	\$3.18	\$24 816	\$23 412
Value					
Timber wolf	32 056	1.40	\$1.61	\$15 483	\$28 850
Cougar	15	0.00	\$2.08	\$9	\$14
Deep discount					
Grizzly	40 120	1.80	\$1.17	\$14082	\$36 108
Kayak	139	0.00	\$0.81	\$34	\$125
Longhorn	7406	0.30	\$0.87	\$1933	\$6665
Husky†	3052	0.10	\$1.2	\$1099	\$2747
Total				\$2 105 542	\$2 039 116

*Averaged over 4 wholesale distributors.

†UST product.

Source: ACNielsen Market Scanner Data.

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Exploring the seasonality of cigarette-smoking behaviour

Seasonality has become a factor in the once-stable tobacco industry ... with so many indoor smoking bans right across the country; smokers have more chance to smoke in the warm-weather months.—John Barnett, CEO of Rothmans Inc

Seasonality has been shown to influence cigarette sales during certain times of the year.^{1–3} Although seasonality is a relevant issue to tobacco control, little research has explored factors that contribute to seasonality.^{1,3,4} Some of the proposed reasons for seasonal effects include tax increases, weather conditions and timing of quitting efforts (eg, New Year's resolutions).^{1–3} Thus, we further examined factors believed to contribute to the effect of seasonality on cigarette consumption.

Monthly cigarette sales were obtained from the New Jersey Department of Revenue for fiscal years 1999–2006, and data on monthly weather patterns were obtained from the office of the New Jersey State Climatologist for the same period. We conducted a stepwise multi-linear regression to examine the effect of average monthly temperature, number of days per month with temperatures below freezing, number of days in the month and tax rates on monthly cigarette sales.

Consistent with previous research,¹ we found that in New Jersey, during the time period examined, February had the lowest average monthly cigarette sales (240 million),⁵ whereas June had the highest average monthly cigarette sales (329 million).⁵ It is important to note that New Jersey raised the state cigarette excise tax