



State Board of Equalization

News Release

Michelle Steel, Member

3rd District – Rolling Hills Estates

Ramon J. Hirsig
Executive Director
www.boe.ca.gov

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Contact: NR 83-10-S
Anita Gore
916-327-8988

California Cigarette Purchases Decline 8.1 Percent

Largest Year-Over-Year Decline in Consumption Since 2000

Michelle Steel, Third District Member of the State Board of Equalization, unveiled a new report today showing Californians bought 8.1 percent fewer cigarettes in 2009-10 than they did a year earlier. This is the largest decline since 1999-2000 when the decline was 11.2 percent.

The report notes that cigarette distributions peaked in 1980 and have declined 65.6 percent over the last 30 years. Since 1980-81, tax-paid cigarette distributions have declined an average of 3.5 percent per year, or a decline of an average of 59 million packs per year. Both the percentage of smokers and the number of cigarettes smoked have declined.

The report points to health concerns, smoking restrictions and higher prices as key factors in the downward trend in tax-paid cigarette distributions. California cigarette prices increased sharply, by 18.6 percent, in 2009-10. The increase in price is largely due to a federal cigarette tax rate increase of 62 cents per pack to \$1.01 per pack. This increase, coupled with an average manufacturers' price increase of 4.2 percent, brought the average price of a pack of cigarettes to \$5.09 in California, according to the BOE report.

The report concludes that the 2009-10 decline in tax paid distributions associated with the federal cigarette tax increase was typical when compared to other fiscal years with large state or federal tax increases. Higher prices offer a greater incentive for tax evasion, which may also contribute to the decline in tax paid cigarette distributions, according to the report, which notes that federal cigarette tax evasion associated with the latest federal increase have not been estimated.

The BOE is responsible for the collection of California cigarette excise taxes. For fiscal year 2009-10, excise taxes collected on cigarettes were \$839 million, compared to \$913 million in 2008-09. These taxes are used to support health education programs, breast cancer research, early childhood development, and other programs.

Elected to the Board of Equalization in 2006, Michelle Steel serves as Southern California's elected taxpayer advocate. In 2008, Steel uncovered a \$42 million mistake in the agency's sales tax refund procedures. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

Report: [Cigarette Responses to Price Changes](#)

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