

U.S. tax hike on tobacco takes effect

by UPI

WASHINGTON -- The largest U.S. tobacco tax hike took effect Wednesday, dramatically raising the price of tobacco products to fund a federal children's health insurance plan.

The increase, which raises the so-called sin tax from 39 cents to \$1.01 and applies to all tobacco products, comes as more than two dozen cash-strapped states consider boosting their own tobacco taxes this year, USA Today reported.

Congress passed legislation last year that would have raised the tobacco tax to fund the State Children's Health Insurance Program, but former President George W. Bush vetoed it. In February, President Obama signed a new version.

"This is very historic," said Matthew McKenna, director of the Office of Smoking and Health at the Centers for Disease Control and Prevention.

Before the tax hike, cigarette prices averaged about \$5 a pack, USA Today said. To help adjust to the hike, tobacco companies are raising prices by different amounts, with some absorbing part of the increase while others raising prices more.

McKenna said a previous 10 percent price increase reduced cigarette consumption about 4 percent. He said he expects the federal tax hike to prompt at least 1 million of the 45 million adult smokers to quit.

Copyright © 2009, by United Press International. All Rights Reserved.

U.S. tax hike on tobacco takes effect by UPI