

The Revenue Impact of Establishing 21 as the Minimum Age of Purchase for Tobacco Products¹

The New York City Council is considering a proposal that would prohibit the purchase of tobacco products by those under the age of 21. Current law allows purchases of tobacco products by those 18 or older. Adoption of this proposal would lead to large revenue losses

Potential Revenue Losses due to Raising the Minimum Age of Purchase to 21

Approximately 8,400,000 people reside in New York City, and an estimated 360,000 of them are 18-20 years of age. These adults would no longer be able to legally purchase cigarettes if New York City increases the minimum age for smoking from 18 to 21. Since the smoking prevalence rate for New York is 16.1% for adults, we estimate that the population of smokers between ages 18-20 is 58,000.

Assuming that this group no longer purchases cigarettes in the New York City, then the City is putting at risk:

- The sale of nearly 6.2 million tax-paid packs of cigarettes. At an NYC excise tax rate of \$1.50, New York City would see its excise tax revenues fall by \$5,022,000.² New York City could also lose general sales taxes from lost cigarette sales of approximately \$3 million. The total revenue at risk to New York City is estimated at around \$8 million.

New York State's losses could potentially be greater:

- Assuming New York City smokers between the ages of 18-20 did not get their cigarettes from other cities and towns within the state (with lower age minimums), the State, which collects more tax per pack, could lose as much as \$26,970,000.
- The State would also lose \$4,278,000 in HCRA transfers from New York City's cigarette excise tax.
- New York State could also lose general sales taxes from lost cigarette sales of approximately \$2 million.
- The total revenue at risk for New York State is equal to approximately \$33,248 million.

¹ This document was prepared for the Lorillard Tobacco Company by Orzechowski and Walker.

² New York City is actually risking \$9,300,000 worth of cigarette excise taxes. However, New York City only keeps 54% of the local tax, as it is required to send 46% to Albany to the HCRA fund. The \$5,022,000 is net of this transfer.