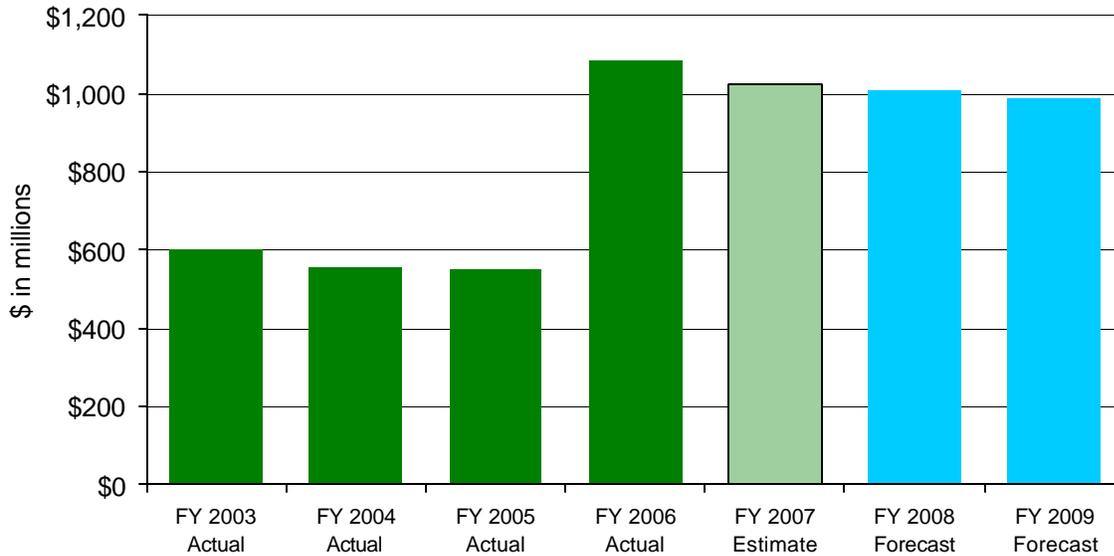


Cigarette and Other Tobacco Products Tax

GRF Revenues from the Cigarette and Other Tobacco Products Tax

(in millions)



	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Forecast	FY 2009 Forecast
Revenue	\$599.9	\$557.5	\$551.0	\$1,084.1	\$1,015.0	\$996.0	\$978.3
Growth	113.3%	-7.1%	-1.2%	96.8%	-6.4%	-1.8%	-1.8%

The cigarette and other tobacco products tax is levied on cigarettes, cigars, chewing tobacco, snuff, smoking tobacco, and other tobacco products. Cigarettes are taxed at a rate of \$1.25 per package of 20 cigarettes. Other tobacco products are taxed at 17% of their wholesale price. Revenue collected from the tax is deposited into the GRF. Am. Sub. H.B. 66 increased the tax rate on cigarettes from \$0.55 per pack of 20 cigarettes to \$1.25 per pack on July 1, 2005. The tax rate on other tobacco products was unchanged. Revenue growth in FY 2006 is due to the tax rate increase.

The forecast for the cigarette and other tobacco products tax is primarily based on trend analysis of the consumption of both cigarettes and other tobacco products. Smokers are expected to make downward adjustments to their consumption of taxed cigarettes for various reasons, including health. Revenue from the tax on tobacco products other than cigarettes has increased 4% to 5% per year, primarily from increases in the wholesale price of those products. The long-term annual decline in cigarette consumption, which has been between 1% and 2%, is expected to continue. Additional factors, such as increases in cigarette prices, increases in the share of nontaxed cigarettes (smuggling and Internet purchases), and smoking bans in public places may create an even steeper

decline in consumption of taxed cigarettes in future years. Conversely, tax increases in neighboring states may boost forecasted revenues from the Ohio cigarette and other tobacco products tax.