

No.16-1498

IN THE
Supreme Court of the United States

WASHINGTON STATE DEPARTMENT OF LICENSING,
Petitioner,
v.
COUGAR DEN, INC.,
Respondent.

**On Writ of Certiorari to the
Supreme Court of Washington**

**BRIEF OF PUBLIC HEALTH ORGANIZATIONS
AS *AMICI CURIAE* IN SUPPORT OF
PETITIONER**

MARK GREENWOLD
Counsel of Record
DENNIS A. HENIGAN
CAMPAIGN FOR TOBACCO-FREE KIDS
1400 Eye Street, NW
Washington, DC 20005
(202) 481-4366
MGreenwold@TobaccoFreeKids.org
DHenigan@TobaccoFreeKids.org
Counsel for Amici

August 16, 2018

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	iii
INTEREST OF THE <i>AMICI CURIAE</i>	1
SUMMARY OF ARGUMENT	1
ARGUMENT	2
I. THE STATE OF WASHINGTON HAS IMPLEMENTED A TAX POLICY ON CIGARETTES INTENDED TO PROTECT THE PUBLIC HEALTH.	2
II. THE DECISION BELOW, IF AFFIRMED, COULD UNDERMINE THE EFFECTIVENESS OF STATE CIGARETTE TAXES AS A TOOL TO REDUCE SMOKING.....	6
III. THE STATE INTEREST IN PROTECTING THE PUBLIC HEALTH BY THE COLLECTION OF TOBACCO TAXES IS STRONG.....	8
A. The States’ Interest in Reducing Cigarette Smoking is Strong.....	8
B. Curbing Youth Smoking Is Essential to Further Reduce Tobacco-Related Disease and Death.....	10
C. Collecting Cigarette Taxes Is One of the Most Effective Ways To Reduce Smoking, Especially Among Youth.	11
1. The Inverse Relationship between Cigarette Prices and Smoking is Well Established.....	11

2.	Imposition of High Excise Taxes on Cigarettes Is a Proven Effective Tobacco Control Policy.....	15
D.	Avoidance of Cigarette Taxes Increases Youth Consumption of Cigarettes and Undermines Public Policies Designed to Protect the Public Health.....	17
	CONCLUSION	18

TABLE OF AUTHORITIES

	<u>Page</u>
CASES	
<i>Department of Taxation and Finance of New York v. Milhelm Attea & Bros., 512 U.S. 61 (1994)</i>	6
<i>FDA v. Brown & Williamson Tobacco Corp., 529 U.S. 120 (2000)</i>	8
<i>Lorillard Tobacco Co. v. Reilly, 533 US 525 (2001)</i>	8
<i>New York v. Mountain Tobacco Co., No. 17-3198/17-3222 (2d Cir. Feb. 20, 2018)</i>	2, 7
<i>United States. v. Philip Morris USA, Inc., 449 F. Supp. 2d 1 (D.D.C. 2006), aff'd in relevant part, 566 F.3d 1095 (D.C. Cir. 2009)</i>	12
<i>Washington v. Confederated Tribes of the Colville Indian Reservation, 447 U.S. 134 (1980)</i>	3, 7
STATUTES	
Children’s Health Insurance Program Reauthorization Act of 2009, Public L. No. 111-3, 123 Stat. 8.....	4
Wash. Rev. Code § 43.06.460.....	5
Wash. Rev. Code § 43.06.465.....	5
Wash. Rev. Code § 43.06.466.....	5
OTHER AUTHORITIES	
CDC, <i>2017 National Youth Tobacco Survey</i>	10
CDC, Behavioral Risk Factor Surveillance System ...	5

CDC, <i>Health Effects of Cigarette Smoking, Fact Sheet</i> (2018)	9
CDC, <i>The 2015 Youth Risk Behavior Survey</i> (2016).....	14
CDC, <i>Trends in the Prevalence of Tobacco Use National YRBS: 1991—2017</i>	10
CDC, <i>Youth and Tobacco Use</i> (2018)	10
David T. Levy et al., <i>The Effects of Tobacco Control Policies on Smoking Rates: A Tobacco Control Scorecard</i> , 10 J. Pub. Health Mgmt. & Prac. 338 (2004).....	13
Dep't of Health & Human Servs., Center for Behavioral Health Statistics and Quality, <i>National Survey on Drug Use and Health</i> (2014).....	10
Dep't of Health & Human Servs., <i>Preventing Tobacco Use Among Young People: A Report of the Surgeon General</i> (1994)	11
Dep't of Health & Human Servs., <i>Preventing Tobacco Use Among Youth and Young Adults</i> (2012).....	11
Dep't of Health & Human Servs., <i>Reducing Tobacco Use: A Report of the Surgeon General</i> (2000)	11
Frank J. Chaloupka et al., <i>Tax, price and cigarette smoking: evidence from the tobacco documents and implications for tobacco company marketing strategies</i> , 11 Tobacco Control J. i62 (2002)	12
Frank J. Chaloupka, <i>Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products</i> , 1 Nicotine & Tobacco Res. J. S105 (1999).....	11

Frank J. Chaloupka, Ph.D., Distinguished Professor of Economics, University of Illinois at Chicago, Testimony Before New York City Council Committee on Health on Intros 2012 and 250A (May 1, 2013).....	14
Initiative Measure 773 (Nov. 2011)	4
Jidong Huang & Frank J. Chaloupka, <i>The Impact of the 2009 Federal Tobacco Excise Tax Increase on Youth Tobacco Use</i> (Nat'l Bureau of Econ. Research, Working Paper No. 18026, 2012).....	14
John A. Tauras, <i>Public Policy and Smoking Cessation Among Young Adults in the United States</i> , 68 Health Pol'y 321 (2004).....	11
Kevin Davis et al., <i>Cigarette Purchasing Patterns Among New York Smoking: Implications for Health, Price, and Revenue</i> (2004)	11
<i>Key Substance Use and Mental Health Indicators in the United States: Results from the 2015 National Survey on Drug Use and Health</i> (2016).....	10
Laws of 1994, 1st Spec. Sess., ch. 7, §§ 901-09, 911, 912, and 915(2).....	4
Laws of 2005, ch. 514, § 1102.....	4
Laws of 2010, 1st Spec. Sess., ch. 22, § 3.....	4
Message from Governor Christine Gregoire to legislative leaders (Feb. 17, 2010)	4
Mitch E. Daniels, Jr., Governor, State of the State Address (Jan. 7, 2007).....	16
Official Voter Information Guide 51 (Cal. Gen'l Election, Nov. 8, 2016)	17

Orzechowski & Walker, <i>The Tax Burden on Tobacco</i> Vol. 52 (2017).....	3, 15
Orzechowski & Walker, <i>The Tax Burden on Tobacco</i> Vol. 51, 1970-2016.....	14
Prabhat Jha, M.D. et al., <i>21st Century Hazards of Smoking and Benefits of Cessation in the United States</i> , 368 <i>New Eng. J. Med.</i> 341 (2013).....	9
U.S. Dep't of Health & Human Servs., <i>The Health Consequences of Smoking – 50 Years of Progress: A Report of the Surgeon General</i> 869 (2014).....	<i>passim</i>
U.S. Nat'l Cancer Inst. & WHO, <i>The Economics of Tobacco and Tobacco Control, National Cancer Institute Tobacco Control Monograph 21</i> , NIH Publication No. 16-CA-8029A, Bethesda, MD: U.S. Dep't of Health & Human Servs., Nat'l Inst. of Health, Nat'l Cancer Inst.; and Geneva, CH: WHO; 2016.....	12
Washington State Dep't of Health, <i>Washington State Tobacco Prevention and Control Five-Year Strategic Plan: State Fiscal Year 2017-2021</i> (2016).....	16
Washington State Healthy Youth Survey, Analytic Report 62 (2016).....	5
WHO, <i>WHO Framework Convention on Tobacco Control</i> 6-7.....	12

INTEREST OF THE *AMICI CURIAE*¹

Although this case involves State taxation of motor fuel, the rationale underlying the decision of the Supreme Court of Washington potentially threatens the collection of taxes on cigarettes and other tobacco products by all States. *Amici curiae* are public health organizations that work to reduce the consumption of cigarettes and other tobacco products in the United States, and especially to reduce the use of tobacco products by children. The attached Appendix contains a brief description of each of the *amici*.

Experience has demonstrated that the imposition and collection of taxes on tobacco products is a highly effective tobacco control measure because taxes are reflected in the retail price of tobacco products and higher prices reduce and prevent consumption, especially consumption by children. *Amici* file this brief to alert the Court to the importance of the public health benefits resulting from the collection of taxes on tobacco products, benefits that could be jeopardized if this Court upholds the decision of the Washington Supreme Court.

SUMMARY OF ARGUMENT

Consistent with the basic laws of economics, when cigarettes cost more, fewer people—particularly children—purchase them. As a result, taxation of

¹ All parties have consented to the filing of this brief. No counsel for any party authored this brief in whole or in part and no person or entity other than *amici* or their counsel made a monetary contribution for the preparation or submission of this brief.

cigarettes is universally recognized as one of the most effective ways to reduce smoking—particularly among youth. The State of Washington, like many jurisdictions, has imposed taxes on tobacco products. Those taxes improve public health by reducing consumption of cigarettes. The decision of the Washington Supreme Court has the potential to undermine the interest of the States, and the actions they have taken, to protect the health of their citizens. Indeed, a tobacco company wholly owned by members of the Yakama Nation and organized thereunder is already seeking to use the decision below to support its challenge to New York State’s collection of tobacco taxes.² The decision of the Supreme Court of Washington, if extended to taxation of cigarettes, could undermine not only the public health policy of the State of Washington but that of all other States as well.

ARGUMENT

I. THE STATE OF WASHINGTON HAS IMPLEMENTED A TAX POLICY ON CIGARETTES INTENDED TO PROTECT THE PUBLIC HEALTH.

The Surgeon General has called raising prices on cigarettes “one of the most effective tobacco control interventions.”³ Tobacco taxes reduce consumption

² Br. and Special App. of Defendant-Appellant-Cross-Appellee at 51-53 & n.21, *New York v. Mountain Tobacco Co.*, No. 17-3198/17-3222 (2d Cir. Feb. 20, 2018).

³ U.S. Dep’t of Health & Human Servs., *The Health Consequences of Smoking – 50 Years of Progress: A Report of the Surgeon General* (“2014 SG Report”) 869 (2014), <https://www.surgeongeneral.gov/library/reports/50-years-of-progress/exec-summary.pdf>.

because they are passed through to retail buyers and raise the price of cigarettes. Smoking by children, who have less disposable income than adults, is disproportionately affected by changes in the retail price of cigarettes. Tobacco taxes represent a larger percentage of the retail purchase price of cigarettes than do taxes on most other products and hence have a larger effect on demand. In the State of Washington, for example, in 2017 the average purchase price of a pack of cigarettes was \$8.18, of which a minimum of \$4.035—nearly 50%—was represented by state and federal excise taxes.⁴ If cigarettes were sold at retail for \$4 per pack instead of \$8 per pack, smoking rates—particularly smoking rates for children—would jump. And, in turn, rates of nicotine addiction and tobacco-related death and disease would also rise.

In 1980, the year that this Court held in *Washington v. Confederated Tribes of the Colville Indian Reservation*, 447 U.S. 134 (1980), that the State of Washington could constitutionally require the collection of the State’s tax on sales of cigarettes made on the reservation to non-members of the tribe, the State’s cigarette tax was only 16 cents per pack.⁵ As evidence of the consequences of cigarette smoking and the effectiveness of higher prices as a tobacco control measure became clearer, the State increased its cigarette tax—to 81.5 cents per pack in 1995, \$1.425 in 2001 (by popular referendum), \$2.025 in

⁴ Orzechowski & Walker, *The Tax Burden on Tobacco* Vol. 52 (2017).

⁵ *Id.*

2005, and \$3.025 in 2010.⁶ At the same time, the federal tax on cigarettes rose from 39 cents to \$1.01 per pack in 2009.⁷ Although the State tax increases produced additional revenue for the State, the principal benefit of these tax increases was to cut smoking rates—particularly among children. In proposing the \$1.00/pack tax increase in 2010, Governor Christine Gregoire made clear that reducing consumption was one primary purpose of the tax increase. She stated, “Tobacco, in all its forms, continues to be a major health hazard. Increasing the price of cigarettes and tobacco products reduces consumption, especially among young people.”⁸ In 2000, the smoking rate among 10th grade students in the State of Washington was 19.8%; by 2016, the smoking rate among that age

⁶ Laws of 1994, 1st Spec. Sess., ch. 7, §§ 901-09, 911, 912, and 915(2), https://www.sos.wa.gov/elections/initiatives/statistics_referendumbills.aspx; Initiative Measure 773 (Nov. 2011), https://www.sos.wa.gov/elections/results_report.aspx?e=21&c=&c2=&t=&t2=5&p=&p2=773&y=, https://wei.sos.wa.gov/agency/osos/en/press_and_research/PreviousElections/documents/voters%27pamphlets/2001_general_election_voters_pamphlet.pdf; Laws of 2005, ch. 514, § 1102, <http://lawfilesexternal.wa.gov/biennium/2005-06/Pdf/Bills/Session%20Laws/House/2314-S.SL.pdf>; Laws of 2010, 1st Spec. Sess., ch. 22, § 3, <http://lawfilesexternal.wa.gov/biennium/2009-10/Pdf/Bills/Session%20Laws/House/2493-S.SL.pdf>. The tax increase approved by voters in 2001 became effective in 2002.

⁷ Children’s Health Insurance Program Reauthorization Act of 2009, Public L. No. 111-3, 123 Stat. 8.

⁸ Message from Governor Christine Gregoire to legislative leaders (Feb. 17, 2010), https://blogs.sos.wa.gov/FromOurCorner/wp-content/uploads/2010/02/Feb_17_2010_packet.pdf.

group in the State of Washington had fallen to 6.3%.⁹ Adult smoking rates fell also, from 20.7% in 2000 to 15.2% in 2010.¹⁰ Cigarette tax increases during this period account contributed to that decline.

The Supreme Court's holding in *Colville* was particularly important in Washington because of the many federally recognized Indian tribes in the State.¹¹ Understanding the importance of cigarette taxes as a tobacco control measure, as well as respecting legitimate tribal interests, the State enacted legislation that authorized the governor to enter into compacts with all 29 tribes that would provide for the State to forgo collection of the State tax on cigarettes sold on the reservation to non-tribal members on the condition that the tribe impose and collect a tribal tax at or near 100% of the State tax.¹² Thus, through the compacts, Washington preserved the principal purpose of the tobacco tax—maintenance of high prices for cigarettes—even though it was the tribe, and not the State, that

⁹ Washington State Healthy Youth Survey, Analytic Report 62 (2016), <https://www.doh.wa.gov/Portals/1/Documents/Pubs/160-193-HYS-AnalyticReport2016.pdf>.

¹⁰ CDC, Behavioral Risk Factor Surveillance System. A change in survey methodology prevents an accurate direct comparison of adult smoking rates for years after 2010 with those before. However, using the revised methodology, adult smoking rates fell from 17.5% in 2011 to 14% in 2016.

¹¹ Washington State Federally Recognized Indian Tribes, <https://goia.wa.gov/tribal-directory/washington-state-federally-recognized-Indian-tribes>.

¹² Wash. Rev. Code §§ 43.06.460, 43.06.465, 43.06.466. The legislation applicable to almost all of the tribes permitted a three-year phase-in of the tribal tax before it reached 100%.

received the tax revenue. The State has entered into such compacts with 24 of the 29 tribes.¹³

For Indian tribes that have no compacts with Washington in effect, the current practice is to allocate the total number of cigarettes received for sale on the reservation between those that are estimated to be sold to tribal members and those that are estimated to be sold to non-tribal members.¹⁴ The State tax applies to the latter but not to the former. Currently, there is no compact in place between the State and the Yakama tribe.

II. THE DECISION BELOW, IF AFFIRMED, COULD UNDERMINE THE EFFECTIVENESS OF STATE CIGARETTE TAXES AS A TOOL TO REDUCE SMOKING.

Amici are concerned that the decision below, if affirmed, could undermine the efforts of Washington and other States to use tobacco taxes as a public health tool to discourage smoking, particularly by youth. The potential magnitude of the loophole in the States' ability to uniformly impose cigarette taxes—and the consequent gap in a central component of the tobacco control policy of many States—is enormous. The decision potentially could be used to support an argument for exempting from taxation not only sales that occur on the reservation, but also sales anywhere so long as the product is transported on

¹³ <https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/CigarTax/CigaretteTax.pdf>

¹⁴ The constitutionality of such allocation systems was confirmed in *Department of Taxation and Finance of New York v. Milhelm Attea & Bros.*, 512 U.S. 61 (1994).

highways. Thus, it could be argued that tax-exempt product could be transported to and sold at retail in downtown Seattle or even in downtown New York City.

Indeed, in a case currently pending before the United States Court of Appeals for the Second Circuit, a corporation wholly owned by members of the Yakama Nation recently filed a brief asserting an exemption from tobacco taxes imposed by the State of New York, and cited the Washington Supreme Court's decision as support for that challenge.¹⁵

In *Colville*, a case that also involved the Yakama Nation, the Supreme Court recognized that "Washington's taxes are reasonably designed to prevent the Tribes from marketing their tax exemption to nonmembers" with respect to sales made to non-tribal members on the reservation.¹⁶ Application of the Supreme Court of Washington's decision to tobacco taxes would permit the Yakama to "market their exemption from taxation" at the expense of the public health not only in Washington but nationwide. *Amici* neither concede nor suggest that the rationale underlying the decision of the Supreme Court of Washington would preclude the State from collecting taxes on tobacco products. But it is clear that an affirmance by this Court would be used as ammunition for challenges to cigarette taxes.

¹⁵ *New York v. Mountain Tobacco Co.*, *supra* n.2.

¹⁶ *Colville*, 447 U.S.at 158.

III. THE STATE INTEREST IN PROTECTING THE PUBLIC HEALTH BY THE COLLECTION OF TOBACCO TAXES IS STRONG.

A. The States' Interest in Reducing Cigarette Smoking is Strong.

The State of Washington, like other States, has a strong interest in the effective implementation of measures that decrease cigarette smoking. One of the most effective such measures is maintenance of a high tax on cigarettes in order to ensure a high retail price, which in turn discourages consumption.

This Court has recognized that cigarette smoking is “perhaps the single most significant threat to public health in the United States.” *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 161 (2000). Despite progress in reducing the level of cigarette smoking in the United States in recent years, in 2014, the U.S. Surgeon General called the epidemic of smoking one of the “greatest public health catastrophes of the [twentieth] century.”¹⁷ And this Court has acknowledged that curbing the use of tobacco products, particularly among young people, is a significant state interest. *See, e.g., Lorillard Tobacco Co. v. Reilly*, 533 US 525, 555 (2001) (noting that the importance of Massachusetts’ “interest in preventing the use of tobacco products by minors” was uncontested); *Brown & Williamson*, 529 U.S. at 161 (“By no means do we question the seriousness of the problem that the FDA has sought to address” through its 1996 effort to regulate tobacco products).

¹⁷ 2014 SG Report at 1.

Despite the efforts of public institutions to reduce the prevalence of tobacco usage over the last half-century, smoking remains our nation's leading cause of preventable death, killing more than 480,000 Americans every year.¹⁸ Indeed, smoking causes more deaths annually than the total deaths combined from HIV, illegal drug use, alcohol use, motor vehicle injuries, suicides, and murders.¹⁹ On average, long-term smoking reduces life expectancy by at least 10 years and an estimated 16 million Americans suffer from smoking-related diseases.²⁰

As a result of its toll on public health, smoking has a staggering economic impact, particularly on the nation's health care system. Overall, the annual costs attributable to smoking in the United States are between \$289 billion and \$333 billion, including at least \$130 billion for direct medical care for adults, and over \$155 billion for lost productivity due to premature death resulting from smoking-related diseases.²¹

In short, it is beyond dispute that Washington, like all States, has a powerful interest in protecting and promoting the health of its citizens, and that reducing use of tobacco products is a key element in advancing that goal.

¹⁸ *2014 SG Report* at 678.

¹⁹ CDC, *Health Effects of Cigarette Smoking*, Fact Sheet (2018), https://www.cdc.gov/tobacco/data_statistics/fact_sheets/health_effects/effects_cig_smoking/index.htm.

²⁰ Prabhat Jha, M.D. et al., *21st Century Hazards of Smoking and Benefits of Cessation in the United States*, 368 *New Eng. J. Med.* 341, 341-50 (2013); *2014 SG Report* at 870.

²¹ *2014 SG Report* at 11.

B. Curbing Youth Smoking Is Essential to Further Reduce Tobacco-Related Disease and Death.

Smoking typically begins in youth. The vast majority of adult smokers start smoking before age 18 and 98% do so by age 26.²² Two-thirds of adult smokers became everyday smokers at or before age 18.²³ This makes youth the key battleground in the fight against the tobacco epidemic in the United States: if young people can avoid tobacco when they are underage, it is highly unlikely that they will ever become regular smokers.

Despite the significant decline of youth smoking since the mid-1990s,²⁴ 8% of high school students today smoke cigarettes—that is, approximately one out of every twelve children is a current smoker by the time he or she leaves high school.²⁵ At current smoking rates, 5.6 million

²² 2014 SG Report at 17.

²³ Dep't of Health & Human Servs., Center for Behavioral Health Statistics and Quality, *National Survey on Drug Use and Health* (2014), <http://doi.org/10.3886/ICPSR36361.v1>; *Key Substance Use and Mental Health Indicators in the United States: Results from the 2015 National Survey on Drug Use and Health* (2016), <https://www.samhsa.gov/data/sites/default/files/NSDUH-FFR1-2015/NSDUH-FFR1-2015/NSDUH-FFR1-2015.htm#tobacco>.

²⁴ See CDC, *Trends in the Prevalence of Tobacco Use National YRBS: 1991—2017*, https://www.cdc.gov/healthyyouth/data/yrbs/pdf/trends/2017_tobacco_trend_yrbs.pdf; CDC, *2017 National Youth Tobacco Survey*, https://www.cdc.gov/tobacco/data_statistics/surveys/nyts/index.htm.

²⁵ *Id.*; CDC, *Youth and Tobacco Use* (2018), https://www.cdc.gov/tobacco/data_statistics/fact_sheets/youth_data/tobacco_use/index.htm.

children under age 18 alive today will eventually die from smoking-related disease.²⁶

C. Collecting Cigarette Taxes Is One of the Most Effective Ways To Reduce Smoking, Especially Among Youth.

1. The Inverse Relationship between Cigarette Prices and Smoking is Well Established.

The consumption of cigarettes is inversely related to their retail price. Not only is this relationship consistent with the basic law of economics, it is also well documented by numerous economic studies,²⁷ authoritative reports by the Surgeon General,²⁸ international treaties,²⁹ reports

²⁶ 2014 SG Report at 13-14.

²⁷ See, e.g., Kevin Davis et al., *Cigarette Purchasing Patterns Among New York Smoking: Implications for Health, Price, and Revenue* (2004), https://www.health.ny.gov/prevention/tobacco_control/docs/cigarette_purchasing_patterns.pdf; John A. Tauras, *Public Policy and Smoking Cessation Among Young Adults in the United States*, 68 Health Pol'y 321 (2004); Frank J. Chaloupka, *Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products*, 1 *Nicotine & Tobacco Res. J.* S105 (1999).

²⁸ See Dep't of Health & Human Servs., *Preventing Tobacco Use Among Young People: A Report of the Surgeon General* 175-78 (1994), https://www.cdc.gov/tobacco/data_statistics/sgr/1994/index.htm; Dep't of Health & Human Servs., *Reducing Tobacco Use: A Report of the Surgeon General* 322-56 (2000), https://www.cdc.gov/tobacco/data_statistics/sgr/2000/index.htm; Dep't of Health & Human Servs., *Preventing Tobacco Use Among Youth and Young Adults* (2012), <https://www.surgeongeneral.gov/library/reports/preventing-youth-tobacco-use/full-report.pdf>; 2014 SG Report at 788-92, 869.

by the World Health Organization,³⁰ judicial decisions,³¹ and even internal tobacco company documents.³²

The National Cancer Institute and WHO have recently concluded that “[a] substantial body of research . . . shows that significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use.”³³ The Surgeon General also recommends increasing tobacco taxes to discourage tobacco use,

²⁹ See, e.g., WHO, *WHO Framework Convention on Tobacco Control* 6-7, <http://apps.who.int/iris/bitstream/10665/42811/1/9241591013.pdf?ua=1>.

³⁰ *Id.*

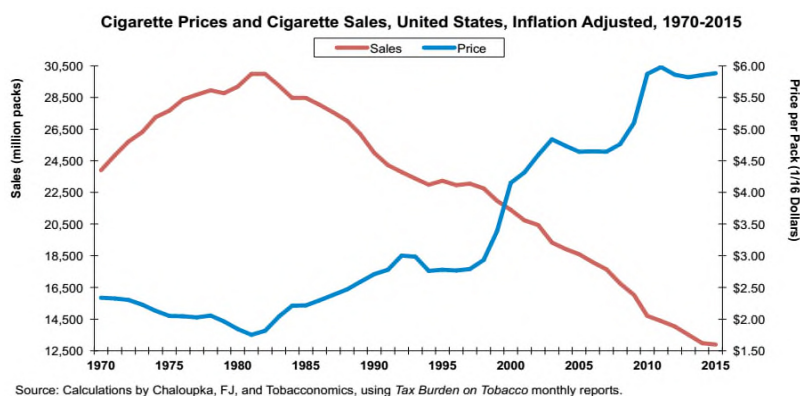
³¹ *United States v. Philip Morris USA, Inc.*, 449 F. Supp. 2d 1, 639-45 (D.D.C. 2006), *aff'd in relevant part*, 566 F.3d 1095 (D.C. Cir. 2009).

³² See Frank J. Chaloupka, Ph.D., Distinguished Professor of Economics, University of Illinois at Chicago, Testimony Before New York City Council Committee on Health on Intros 2012 and 250A (May 1, 2013) (“Chaloupka Testimony”) at 14-17. See also Frank J. Chaloupka et al., *Tax, price and cigarette smoking: evidence from the tobacco documents and implications for tobacco company marketing strategies*, 11 *Tobacco Control* J. i62 (2002).

³³ U.S. Nat’l Cancer Inst. & WHO, *The Economics of Tobacco and Tobacco Control, National Cancer Institute Tobacco Control Monograph 21*, NIH Publication No. 16-CA-8029A, Bethesda, MD: U.S. Dep’t of Health & Human Servs., Nat’l Inst. of Health, Nat’l Cancer Inst.; and Geneva, CH: WHO; 2016, https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21_complete.pdf.

especially among youth, in order to promote public health.³⁴

The general consensus among scientific researchers is that nationally, every 10% increase in the real price of cigarettes reduces adult smoking by about 2%, reduces smoking among young adults by 3.5%, reduces the number of children under age 18 who smoke by 6-7%, and reduces overall cigarette consumption by approximately 3-5%.³⁵ Indeed, as illustrated by the graph below, the trends in cigarette prices and overall U.S. cigarette consumption from 1970 to 2015 show a strong correlation between increasing prices and decreasing consumption.



³⁴ See *2014 SG Report* at 12 (“The evidence is sufficient to conclude that increases in the prices of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of tobacco use among youth and adults.”).

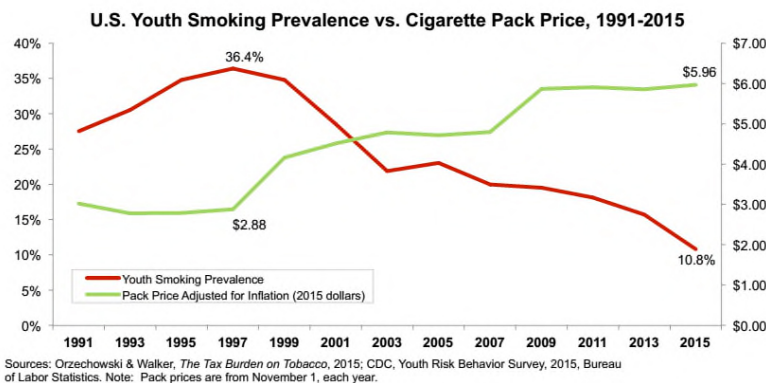
³⁵ David T. Levy et al., *The Effects of Tobacco Control Policies on Smoking Rates: A Tobacco Control Scorecard*, 10 *J. Pub. Health Mgmt. & Prac.* 338, 339-40 (2004).

The correlation between prices and tobacco consumption by youth is even more pronounced: smoking among children under age 18 is almost three times more responsive to price increases than is smoking among adults.³⁶

The following chart shows how closely linked youth smoking prevalence is to cigarette pack prices. As prices climbed in the late 1990s and early 2000s, youth smoking rates declined; but as the price decreased between 2003 and 2005 (along with decreased funding for tobacco prevention programs in many states), youth rates increased. More recently, spurred in part by the large jump in price in 2009 from the many state cigarette tax increases and the large federal tobacco tax increase, youth smoking rates have fallen more rapidly.³⁷

³⁶ Chaloupka Testimony at 4.

³⁷ See Orzechowski & Walker, *The Tax Burden on Tobacco* Vol. 51, 1970-2016, <https://www.healthdata.gov/dataset/tax-burden-tobacco-volume-51-1970-2016-0>; CDC, *The 2015 Youth Risk Behavior Survey* (2016). See also Jidong Huang & Frank J. Chaloupka, *The Impact of the 2009 Federal Tobacco Excise Tax Increase on Youth Tobacco Use* (Nat'l Bureau of Econ. Research, Working Paper No. 18026, 2012).



2. Imposition of High Excise Taxes on Cigarettes Is a Proven Effective Tobacco Control Policy.

Cigarette taxes are not imposed simply to raise revenue. They have proven to be one of the most effective policy tools society has to reduce smoking. Federal and state cigarette taxes have a heavy impact on the retail prices of cigarettes. The cost of producing cigarettes is very low and taxes, imposed on manufacturers and distributors of cigarettes and passed through to consumers in the retail prices of cigarettes, represent a high percentage of the total cost of cigarettes.³⁸ In every single state that has significantly raised its cigarette tax rate, pack sales have gone down sharply.³⁹

³⁸ The federal tax on cigarettes is imposed on manufacturers. State and local taxes are generally imposed on distributors. All such taxes are passed on to consumers in the retail prices of cigarettes.

³⁹ Orzechowski & Walker, *The Tax Burden on Tobacco* Vol. 52 (2017).

The Washington State Department of Health has itself acknowledged the central role played by tobacco taxes in reducing consumption: “[T]obacco-free laws and policies are also crucial in reducing tobacco use rates and mortality. . . . Many studies have shown that cigarette tax increases and price increases reduce smoking in both youth and adults.”⁴⁰ Similarly, tax increases in many other states have been enacted with the express purpose of reducing smoking by raising the price of cigarettes. For example, Indiana increased its cigarette tax in 2007 after Governor Mitch E. Daniels, Jr. declared in his State of the State speech

We have it in our power to make a huge difference. We know how to reduce smoking, and in particular to dissuade young people from starting to smoke. It starts with a higher price for the product. It is no coincidence that Hoosiers pay less for cigarettes than the vast majority of Americans and smoke at the highest rates around. But we can and must do more.⁴¹

In California in 2016 voters approved a \$2 per pack increase in the cigarette tax after the Official Voter Information Guide explained that an argument for the increase was that “the excise tax increase would

⁴⁰ Washington State Dep’t of Health, *Washington State Tobacco Prevention and Control Five-Year Strategic Plan: State Fiscal Year 2017-2021* (2016), <https://www.doh.wa.gov/Portals/1/Documents/Pubs/340-131-2017TobaccoStrategicPlan.pdf>.

⁴¹ Mitch E. Daniels, Jr., Governor, State of the State Address (Jan. 7, 2007).

result in higher prices for consumers. As a result, consumers would reduce their consumption of cigarettes and other tobacco products.”⁴²

D. Avoidance of Cigarette Taxes Increases Youth Consumption of Cigarettes and Undermines Public Policies Designed to Protect the Public Health

In light of the compelling evidence of the power of cigarette taxes to decrease consumption, particularly among young people, the importance of this case is clear. Cigarette taxes achieve their purpose of reducing cigarette consumption only if they are collected. Uncollected cigarette taxes are not passed through in retail prices and result in the availability of low-priced cigarettes that undermine policies designed to protect the public health. As documented above, the price difference between cigarettes on which taxes have actually been collected and cigarettes on which taxes have not been collected can be enormous—in Washington State, excise taxes account for nearly half of the average price of a pack of cigarettes. The consequential availability of untaxed cigarettes at a sharply lower price would dramatically reduce a critical barrier to smoking, with a particularly pronounced effect on youth.

Moreover, as Petitioner has pointed out, the decision below could be used to support an argument that could exempt from taxation cigarettes sold by a Yakama tribal member or tribal company anywhere in

⁴² Official Voter Information Guide 51 (Cal. Gen'l Election, Nov. 8, 2016), <http://vig.cdn.sos.ca.gov/2016/general/en/pdf/complete-vig.pdf>.

the U.S. Thus, the public health effects of upholding the decision would not be confined to cigarettes sold on Yakama lands in Washington; rather, such an outcome would potentially undermine the policy choices of States across the nation for which tobacco taxes are an important, effective component of their public health strategies.

CONCLUSION

Amici urge the Court to reverse the decision below.

Respectfully submitted,

MARK GREENWOLD
Counsel of Record

DENNIS A. HENIGAN
CAMPAIGN FOR TOBACCO-
FREE KIDS

1400 Eye Street, NW
Washington, DC 20005
202-481-4366

MGreenwold@TobaccoFreeKids.org
DHenigan@TobaccoFreeKids.org

APPENDIX

APPENDIX

List of *Amici*

1. The American Cancer Society Cancer Action Network

The American Cancer Society Cancer Action Network (ACS CAN) is the nation's leading cancer advocacy organization dedicated to making cancer issues a priority. Created in 2001 as the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society, ACS CAN educates the public, government officials, and candidates about cancer's devastating impact on public health and encourages them to make fighting cancer a top priority. Despite decades of declines in cigarette smoking prevalence, almost one-third of cancer deaths in the US are still caused by smoking. Cigarette smoking increases the risk of 12 cancers: oral cavity and pharynx, larynx, lung, esophagus, pancreas, uterine cervix, kidney, bladder, stomach, colorectum, liver, and acute myeloid leukemia. Thus, in order to save lives, ACS CAN works to promote tobacco control at the federal, state, and local levels nationwide.

2. The American Heart Association

The American Heart Association ("AHA") is a voluntary health organization that, since 1924, has helped protect people of all ages and ethnicities from the ravages of heart disease and stroke. AHA is one of the world's premier health organizations, with local chapters in all 50 states, as well as in

2a

Washington D.C., and Puerto Rico. The association invests in research, professional and public education, community-based programs, and advocacy so people across America can live stronger, longer lives. AHA has long been active before Congress and regulatory agencies on tobacco and other health-related matters, including seeking regulation of cigarettes and other tobacco products under the Federal Food, Drug, and Cosmetic Act.

3. The American Lung Association

The American Lung Association is the nation's oldest voluntary health organization. Because smoking is a major cause of lung cancer and chronic obstructive pulmonary disease (COPD), the American Lung Association has long been active in research, education and public policy advocacy regarding the adverse health effects caused by tobacco use. This includes supporting increases in the price of tobacco products through tobacco taxes and other policies.

4. The Campaign for Tobacco-Free Kids

The Campaign for Tobacco-Free Kids is a leading force in the fight to reduce tobacco use and its deadly toll in the United States and around the world. The Campaign envisions a future free of the death and disease caused by tobacco, and it works to save lives by advocating for public policies that prevent kids from smoking, help smokers quit and protect everyone from secondhand smoke.

5. Truth Initiative

The Truth Initiative envisions an America where tobacco is a thing of the past and where all youth and young adults reject tobacco use. Truth Initiative's proven effective and nationally recognized public education programs include truth®, the national youth smoking prevention campaign that has been cited as contributing to significant declines in youth smoking; EX®, an innovative smoking cessation program; and research initiatives exploring the causes, consequences, and approaches to reducing tobacco use. Truth Initiative also develops programs to address the health effects of tobacco use—with a focus on priority populations disproportionately affected by the toll of tobacco—through alliances, youth activism, training, and technical assistance. Located in Washington, D.C., Truth Initiative was created as a result of the November 1998 Master Settlement Agreement between attorneys general from 46 states, five U.S. territories, and the tobacco industry.