



The John C. Stennis Institute of Government

Tobacco and Food Taxation Policy Options in Mississippi

A Policy Report Funded by the Bower Foundation

EXECUTIVE SUMMARY **Prepared for Stennis Press** **Luncheon** **February 19, 2007**

Charles Campbell, Ph.D.
Judith Phillips, M.B.A.
Denise Keller, M.P.P.A.
Ben Collins, M.S.

W. Martin Wiseman, Ph.D.
Director

Elected to the United States Senate in 1947 with the promise to “plow a straight furrow to the end of the row,” John C. Stennis recognized the need for an organization to assist governments with a wide range of issues and to better equip citizens to participate in the political process. In 1976, Senator Stennis set the mission parameters and ushered in the development of a policy research and assistance institute which was to bear his name as an acknowledgement of his service to the people of Mississippi.

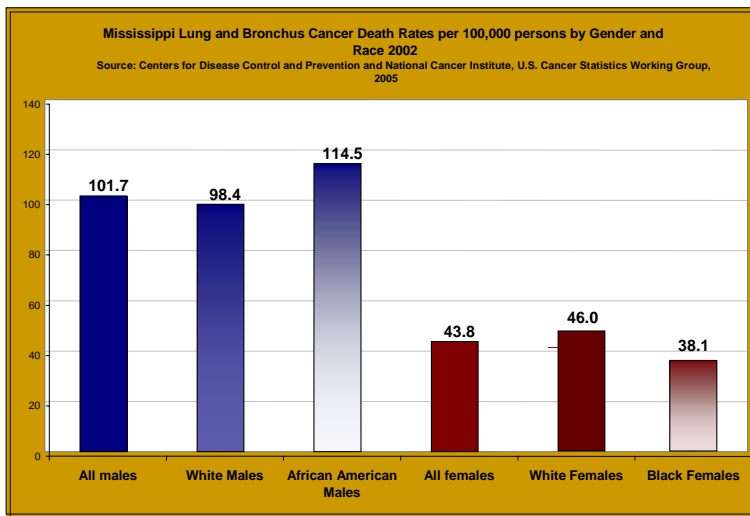
A more comprehensive discussion of the issues presented in this Executive Summary including citations and sources is provided in Policy Report 200-1202: *Tobacco and Food Taxation Policy Options for Mississippi* – available on the Stennis Institute's Website at:

http://www.msgovt.org/files/200_1202_Tobacco_and_Grocery_Taxes.pdf

Executive Summary

State legislatures, policy makers, and public health officials across the nation support high cigarette and tobacco taxes as a mechanism to improve public health by encouraging the cessation and the reduction of cigarette and tobacco use, to reduce the cost burden of smoking related health care costs on state budgets, and to generate additional excise tax revenues for state budgets. In the state of Mississippi there has been significant debate regarding a policy that would eliminate or reduce sales taxes on groceries (unprepared foods). Much of this debate has centered around an increase of tobacco excise taxes to replace revenues that would be lost due to the elimination or reduction of sales tax collections on groceries. The Bower Foundation requested a report on these issues from the John C. Stennis Institute of Government. This Executive Summary provides an overview of Policy Report 200-1202, as follows:

- Mississippi has the fourth highest smoking-attributable death rate in the United States, every year an estimated 4,961 people in Mississippi die from smoking related illnesses. Cigarette smoking is responsible for 30 percent of all cancer deaths in the U.S. and 87 percent of all lung and bronchus



cancer deaths; Mississippi has a higher lung and bronchus cancer death rate than the U.S. and African American Males in Mississippi have the highest lung and bronchus cancer death rate as compared to other gender and racial groups – approximately 2,000 people die every year in Mississippi

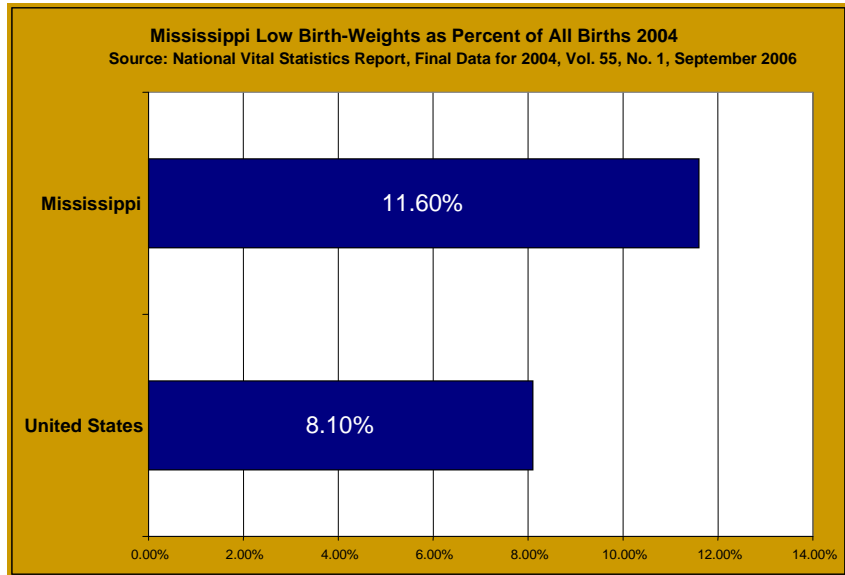
from lung cancer. Although lung cancer death rates in the United States have been decreasing in recent years, only one county in Mississippi experienced a decrease in lung cancer mortality during the period 1999 to 2003 – and the death rate from lung cancer increased in 22 Mississippi counties.

- Mississippi has the highest Cardiovascular disease rate in the nation and cardiovascular disease is the leading cause of death in Mississippi, killing 10,627 Mississippians annually – smoking is a major risk factor for cardiovascular disease. African American Males in Mississippi have the highest level of

premature cardiovascular disease mortality – with 44 percent of all deaths occurring before the age of 65.

- Babies born to smokers are 1.5 to 3.5 times more likely to have low birth-weights and these babies are at risk for serious health problems throughout their lives; women on Medicaid have been found to be more likely to smoke

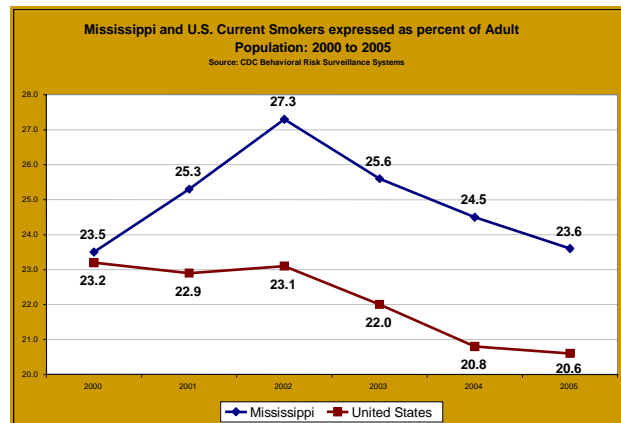
during the last trimester of pregnancy. Mississippi has the highest percentage of babies exhibiting low birth-weights in the nation and the percentage of low birth-weight babies increased from 2000 to 2004 – approximately 4,956 babies born in



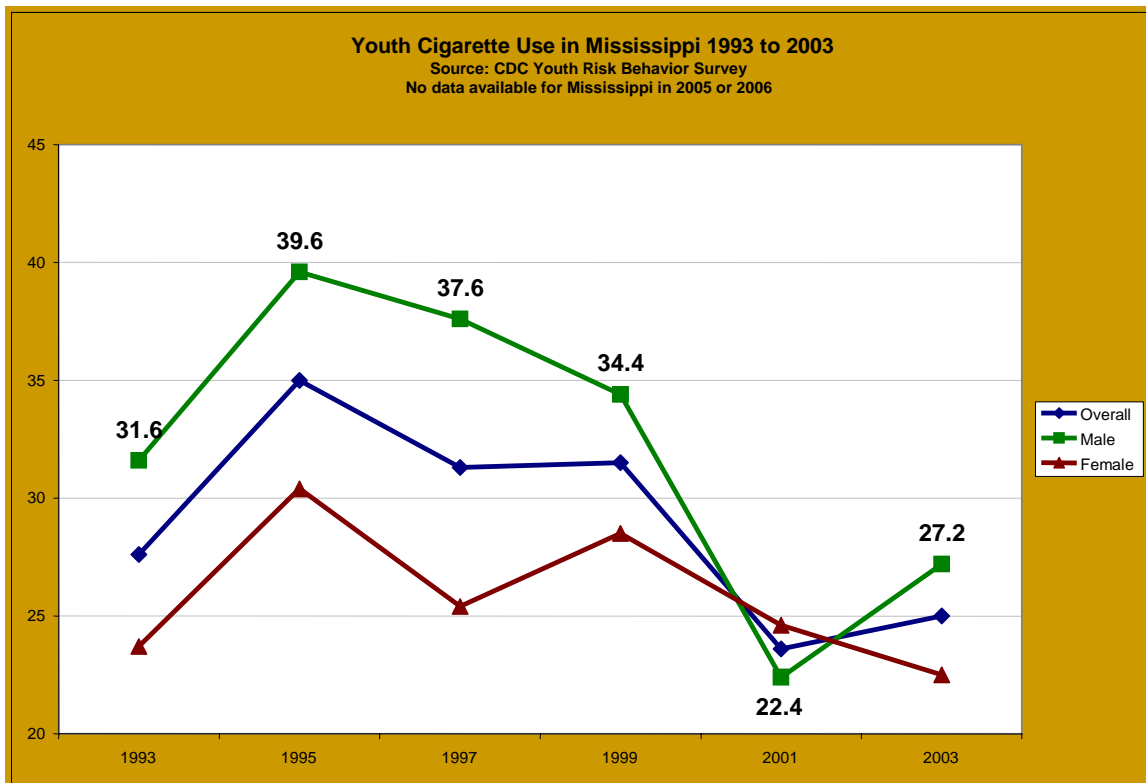
Mississippi in 2004 exhibited low birth-weight. In 2002, fifty-five percent of all births in Mississippi were financed by Medicaid.

- In 2004, smoking attributable health care costs in Mississippi were \$662 million annually, of which \$243 million were direct health care costs covered by Medicaid. In fiscal year 2005, Medicaid spending in Mississippi was \$3.375 billion, with approximately \$205 million of these costs being paid from the General Revenue Fund and \$788 million from other state sources – the predicted annual escalation of Medicaid costs is 8 percent through 2015.

- Mississippi has the 8th highest percentage of adult smokers in the U.S., with approximately 23.6 percent of the population over the age of 18 smoking. In 2004, there were an estimated 254.7 million packs of cigarettes sold in Mississippi. Mississippi has the 12th highest pack-per-capita consumption level in the U.S. at 88.8 packs per capita.



- Mississippi has the 9th highest level of youth smoking in the U.S., with an estimated 25 percent of youth smoking cigarettes; results from the Centers for Disease Control's Youth Risk Behavior Survey indicate recent upward trends in youth cigarette use in Mississippi. In 2003, the percent of Mississippi students who smoked cigarettes or cigars, or used chewing tobacco, snuff or dip was 33.5 percent compared with 27.5 percent at the national level. An estimated 4,400 Mississippi high school students become new smokers every year.



- Due to smoking, adult males lose 13.2 years of life and adult females lose 14.5 years of life - the productivity losses to Mississippi due to early smoking related deaths is \$1.3 billion. In terms of lost life expectancy, the true cost of a pack of cigarettes to a smoker is between \$27 and \$30 per pack.
- There is an extensive body of econometric and behavioral research that provides robust support for increasing cigarette taxes as an effective mechanism to motivate smokers to reduce the consumption of cigarettes and achieve the positive health benefits of reduced smoking; there is strong evidence that youth, young adults, and lower-income populations are the most price sensitive and are more likely to reduce or quit smoking in response to price increases. The U.S. Department of Health and Human Services' "Healthy People 2010" calls for state and federal taxes to average \$2.00 for both cigarettes and smokeless tobacco products by 2010. A significant excise tax increase on tobacco, coupled with

tobacco education programs is the most effective policy for reducing the negative impact of smoking on the health of Mississippians and reducing youth smoking. It is also the most effective mechanism for reducing the financial burden of smoking attributable illness on Mississippi's Medicaid expenditures and business establishments.

- As of January 1, 2006 the average cigarette tax for all states plus Puerto Rico and the District of Columbia was \$1.00 per pack, there were six states with cigarette taxes of \$2.00 per pack or higher and 22 states with cigarette taxes of \$1.00 per pack or more. The three states with the highest excise tax on cigarettes as of Fiscal Year 2005 were: Rhode Island (\$2.46 per pack), New Jersey (\$2.40 per pack) and Washington (\$2.02 per pack); the three states with the lowest excise tax on cigarettes were: Mississippi (18 cents per pack), Missouri (17 cents per pack), and South Carolina (7 cents per pack). In 2005, revenues for all states from tobacco taxes exceeded \$12.6 billion or \$42.58 per capita. In Mississippi, state revenue from tobacco taxes was \$19.26 per capita. In 2005, Mississippi revenues from tobacco taxes were \$56.02 million or 1.5 percent of all state General Fund receipts in FY 2005.
- Every state in the U.S. that has raised cigarette taxes has recognized significant revenue increases and these revenue increases have been sustained over time in the face of repetitive increases in tobacco taxation by the majority of states. Of the 26 states that increased their cigarette taxes during the period 2000 to 2003, no state lost revenues as a result of decreased consumption due to excise tax increases and revenue increases ranged from 12 to 260 percent. Even states that experienced significant decline in consumption still recognized increased revenues. For example, New Mexico experienced a 32.3 percent decline in cigarette sales, but revenues from tobacco taxes increased by 191 percent.
- There is evidence of strong public support for increases in tobacco taxes. In 2004, 63.5 percent of Mississippians surveyed supported increasing tobacco taxes; it is a politically bipartisan issue supported by both Republican and Democrat voters.
- S.B. 3098 increases the excise tax on cigarettes to \$.80 cents per pack for a one year period through June 30, 2008; from and after July 1, 2008 the excise tax on cigarettes increases to \$1.00 per pack. Using econometric models described in the full Policy Report 200-1202 (pages 77 to 87) that use 2005 cigarette consumption as a base, the estimated reduction in annual packs sold per adult aged 18 and over, resulting from the \$.62 increase in the state excise taxes to a total of \$.80 per pack, are estimated to range from 5.7 to 8.7 packs per adult per year. From and after July 1, 2008 the excise tax increase of \$.82 cents per pack to a total of \$1.00 per pack is estimated to result in reductions that

range from 7.3 to 11.6 packs per adult at the aggregate level. The \$1.00 per pack excise tax on cigarettes will result in aggregate state excise tax revenue ranging from \$146.5 million to \$153.6 million. In addition to this increase in excise tax revenue collections, additional sales tax revenues that range from \$10.2 million for the lower bound to \$10.7 million for the upper bound are predicted to be generated based upon the 7 percent sales tax on the increased final selling price of cigarettes. These new sales tax revenues will result in increased diversions to municipalities. Although it is difficult to precisely predict the distribution of these new sales tax revenues, the Stennis Institute generated estimates based upon per capita (aged 18 and over) municipal population. The range of estimated increased municipal sales tax diversions from increased cigarette prices based on excise tax increases to \$.80 per pack and \$1.00 per pack are presented alphabetically by county and municipality for each municipality within the state of Mississippi in Appendix A of this document. Because data on cigarette consumption is aggregated and available only at the state level, predictions for consumption and resulting municipal diversions may exhibit a high degree of variance based upon consumer purchasing patterns, socio-demographic variables, and the geographic distribution of business within each municipality and county. For example, municipalities such as Paulding in Jasper County with a small population and business base may anticipate negligible increases in sales tax revenues from the increased price of cigarettes; while large municipalities such as Biloxi or Pascagoula may experience increased revenues of approximately \$40,000 to \$50,000 annually.

Estimates of new sales tax revenues related to increased cigarette excise taxes are also dependent upon the price-subsidizing marketing strategies used by cigarette manufacturers and distributors. As discussed on pages 40 to 42 of Policy Report 200-1202, price-subsidizing strategies may be utilized by cigarette manufacturers and distributors to reduce the price of cigarettes in order to retain market share and product consumption. When these strategies are utilized, the final sales price of cigarettes is reduced thereby leading to reductions in potential sales tax collections by states (i.e. offers of two packs for the price of one) and consequently in sales tax diversions to municipalities. However, these price subsidizing strategies may also offset the potential reduction in cigarette consumption resulting in increased sales tax collections. The possible actions of cigarette manufacturers and distributors are not integrated into the Stennis Institute's models of revenue projections.

- S.B. 3098 also calls for the imposition of a fee on non-settling cigarette manufacturers that sell and distribute cigarettes, the Stennis Institute has not included these potential new revenues in this analysis of S.B. 3098.

The Grocery Tax in Mississippi

Mississippi is one of only three states in the nation that applies full sales taxes to groceries with no offsetting relief for lower income families. Mississippi's tax system is regressive, the poorest families in Mississippi - those earning less than \$11,000 - pay the highest amount of their income to taxes. Overall, Mississippi's state and local tax burdens are relatively high by national standards (15th), although its overall tax burden, including federal taxes is quite low (43rd in 2002) owing to the progressive nature of the federal tax system (Tax Foundation, 2002). The Nelson Rockefeller Institute of Government, Fiscal Studies Program (2003) ranked Mississippi 9th in the nation in percent of income going to sales taxes.

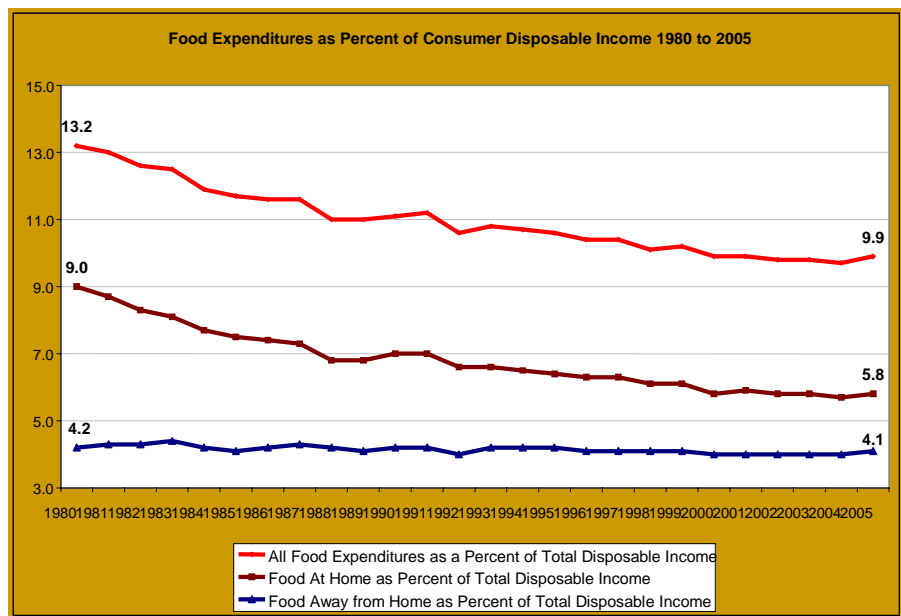
- Low income consumers spend a larger share of their total food budget (64.98%) on food at home than do higher income groups and a larger percentage of their total income is spent on food at home (20.46%).

<i>U.S. Consumer Expenditures by Income Quintile 2005 for all Consumer in U.S.</i>						
	<u>All Consumer Units</u>	<u>Lowest 20 Percent</u>	<u>Second 20 Percent</u>	<u>Third 20 Percent</u>	<u>Fourth 20 Percent</u>	<u>Highest 20 Percent</u>
Income before taxes	\$58,712	\$9,676	\$25,546	\$42,622	\$67,813	\$147,737
<i>Income after taxes</i>	\$56,304	\$9,688	\$25,200	\$41,557	\$65,275	\$139,644
All Food	\$5,931	\$3,047	\$4,064	\$5,295	\$7,194	\$10,051
Food at home	\$3,297	\$1,980	\$2,527	\$3,017	\$3,952	\$5,007
Food away from home	\$2,634	\$1,067	\$1,538	\$2,277	\$3,242	\$5,044
Percent of Pre tax Income on Food at Home	5.62%	20.46%	9.89%	7.08%	5.83%	3.39%
Percent of Income on Food Away from Home	4.49%	11.03%	6.02%	5.34%	4.78%	3.41%
Percent of Food Budget Spent on Food at Home	55.59%	64.98%	62.18%	56.98%	54.93%	49.82%

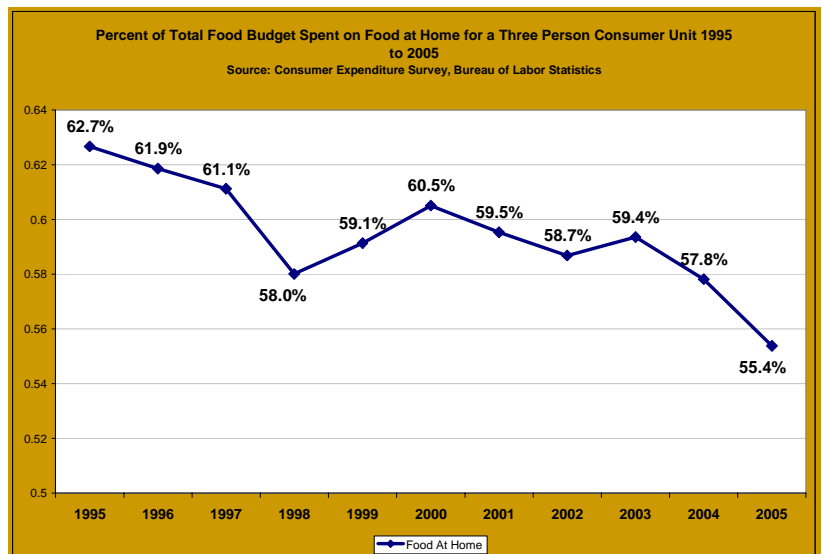
Source: U.S. Consumer Expenditure Survey, Bureau of Labor Statistics

- According to the U.S. Census Bureau's 2005 American Community Survey, approximately 600,000 people (21.3% of total population) in Mississippi live in poverty compared with a U.S. poverty level of 12.6 percent. There are 290,000 people in Mississippi classified as "the working poor," only 51 percent of those eligible for the Food Stamp program actually participated in the program in Mississippi. In 2005, per capita income in Mississippi was \$17,971 - \$7,035 dollars lower than the U.S. per capita income of \$25,035. These poverty and income characteristics illustrate the relative burden that grocery taxes represent for residents of Mississippi as compared to the rest of the nation.

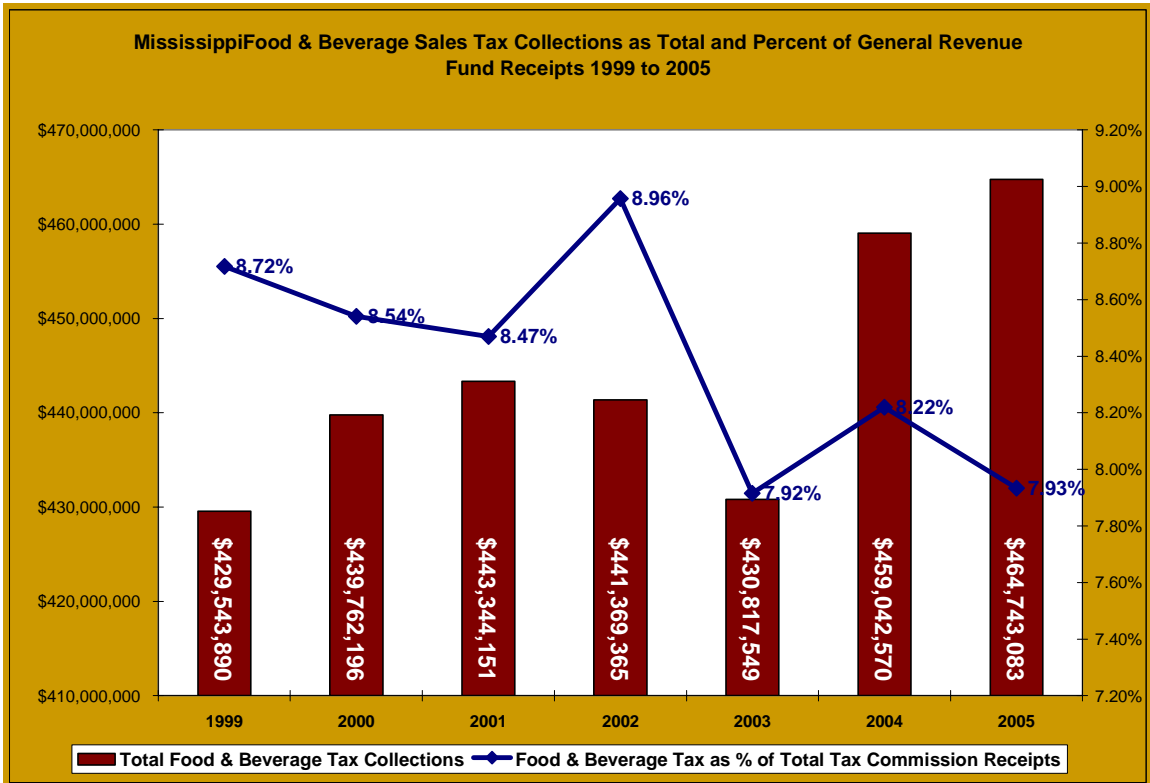
- Mississippi has the second highest level of food insecurity in the nation, 16.5 percent of households experience low or very low food insecurity – food insecurity is a measure of hunger. The rate of food insecurity for Mississippi’s families grew approximately 1.7 percent in the two year period from 2000-2002 to 2003-2005. Generally, households with children experience double the rate of food insecurity when compared to households with no children. Even moderate hunger can impede the cognitive development of children – hungry children miss more days of school, score lower on standardized tests, and have more emotional health problems.
- Consumer expenditures on food as a percent of disposable income have been continuously declining since 1980.



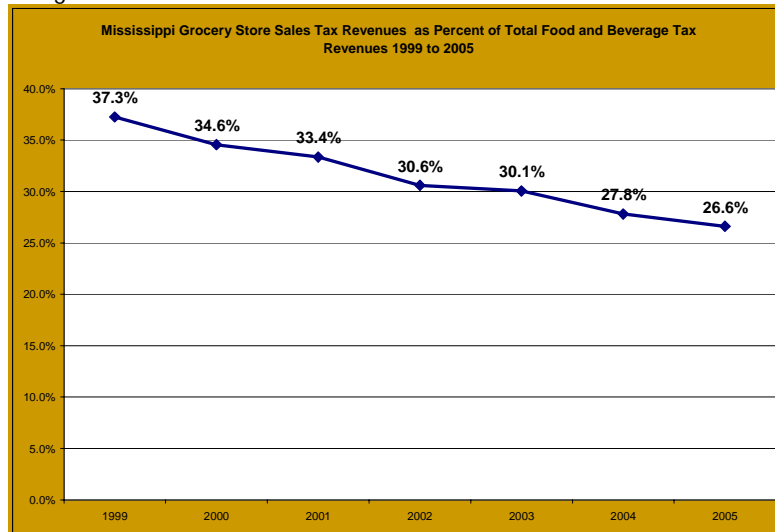
- For the average three-person consumer unit in the U.S., the percent of the total food budget spent on food-at-home has been declining.



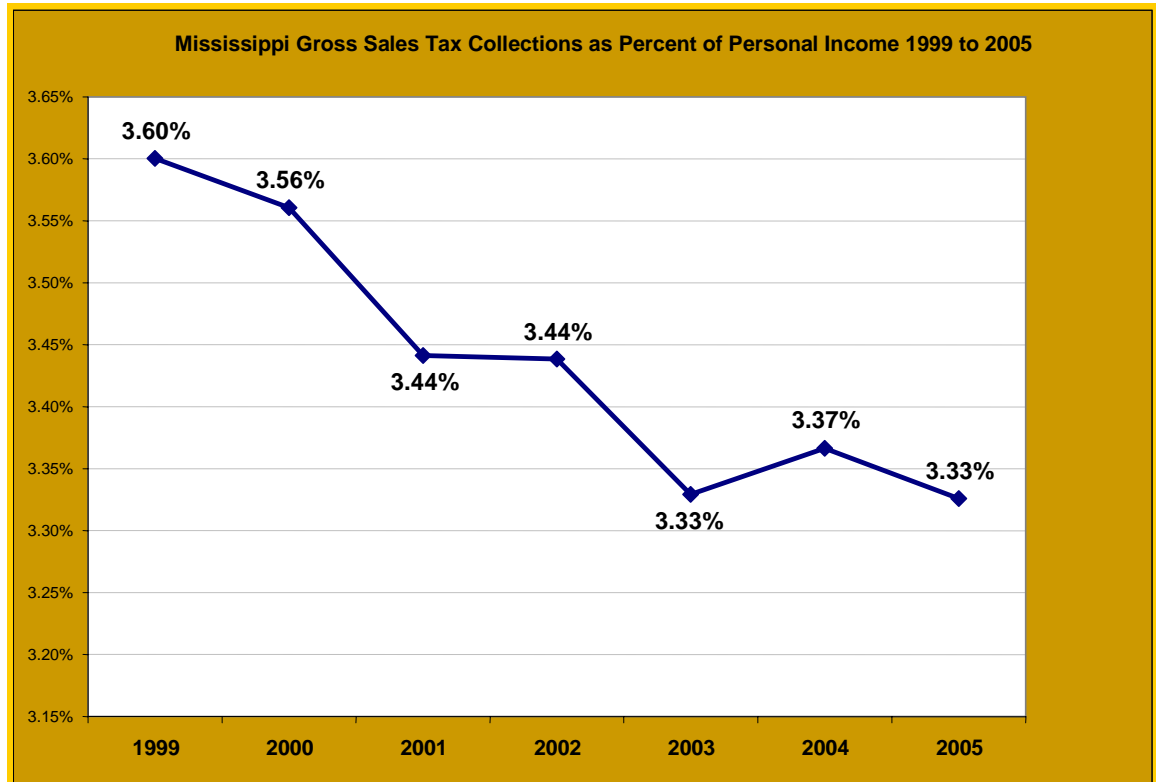
- In Mississippi, even though Food and Beverage Sales Tax Collections have been increasing in total monetary value, their contribution as a percent of total General Revenue Fund Receipts has been decreasing.



- Grocery Store Sales Taxes have been declining in total monetary value and decreasing as a percent of total Food and Beverage sales tax collections.



- Overall sales taxes have been growing in the last few years, but they are not growing as fast as total tax revenues and therefore they are becoming less important to Mississippi as a source of revenue – this follows a national trend. Economic research has found that the sales tax base as a percentage of personal income has been falling for decades (Fox 2003, Fox 1998, and Mikesell, 2003). The same pattern is exhibited in Mississippi as demonstrated in the figure below:



These declines have been attributed to changing consumer purchasing patterns, technological changes, and increased use of the Internet. Bruce and Fox (2003) attribute a nationwide loss of \$14 billion in sales taxes for the year 2003 to electronic commerce and predict that growth to rise to nearly \$4.5 trillion by 2007.

- Forty-five states plus the District of Columbia levy sales taxes, the majority of states have reduced, eliminated, or developed mechanisms to offset sales taxes on food for consumption at home. According to the Center for Budget and Policy Priorities: thirty states and the District of Columbia exempt food purchased for consumption at home; five states tax groceries at lower rates than other goods; five states tax groceries but offer tax credits or rebates to provide eligible households with relief on grocery sales taxes; and only three states apply full

sales taxes to groceries with no offsetting relief for lower income families – Mississippi, Alabama, and Arkansas.

- According to McIntyre et al (2003), for the lowest 20 percent of non-elderly income earners in Mississippi, 8.1 percent of family income goes to sales and excise taxes, 1.7 percent goes to property taxes, and 0.2 percent goes to income taxes, for a total of 10 percent of total income to taxes. For the top 1 percent of income families, Mississippi's percentages of income going to sales and excise, property, and income taxes were 1.3, 1.5, and 4.0 percent respectively, for a total of only 6.9 percent (The total being .1 greater than the sum of the parts is due to rounding). In general, the pattern is consistent with the percentage of family income going to taxes falling as the income of the group rises. This indicates the system is indeed income regressive.
- Low income persons spend more of their pre-tax income on the purchase of food for consumption at home and as demonstrated in the table on page 15, in Mississippi those with the lowest income – less than \$30,000 per year – pay approximately 63 percent of all sales taxes on food at home.

As previously stated in the Institute's Policy Report 200-1202, changes in grocery and cigarette sales tax policies within the state of Mississippi have the potential for significant impact on the sales tax diversions to municipalities. Currently, sales tax collections brought into the General Revenue Fund from establishments located within the municipalities are diverted back to the municipality. These sales tax diversions to municipalities are an important revenue stream for cities in Mississippi. According to data provided by the Mississippi Tax Commission, in Fiscal Year 2005 total diversions to municipalities were \$342,499,301, of this amount \$ 56.1 million or 16 percent was attributable to sales taxes collected on non-prepared foods. One of the more important policy considerations is to assure that municipalities are not negatively impacted by a policy decision to reduce or eliminate sales taxes on groceries. To achieve this objective would require diverting an amount equivalent to the current diversion received by municipalities from sales taxes on groceries.

The impact of changes in sales tax on non-prepared foods will exhibit variance at the municipal level; for some municipalities these sales taxes are a significant percentage of their total revenues. For example, the municipal diversion to all cities within Hinds County from sales tax collections on non-prepared foods contributed only 12.9 percent of total municipal revenues from sales tax diversions; however the importance of diversions from non-prepared food sales tax collections as a percent of revenues from all sales tax

diversions exhibit high variability from municipality to municipality – ranging from zero in Learned to a high of 41 percent in Utica

Place Name	Sales tax non prepared foods	Total city diversion non prepared foods	FY 2005 Total Municipal Diversion all Sales Taxes	Percent of Total FY 2005 Diversion from Non-prepared Food
Hinds County	\$29,514,657	\$5,153,505	\$39,991,113	12.89%
Jackson	\$22,829,696	\$4,223,493	\$35,994,542	11.73%
Clinton	\$3,943,615	\$729,569	\$3,327,347	21.93%
Utica	\$348,928	\$64,552	\$157,328	41.03%
Edwards	\$126,748	\$23,448	\$62,863	37.30%
Raymond	\$236,720	\$43,793	\$166,389	26.32%
Terry	\$222,256	\$41,117	\$132,014	31.15%
Bolton	\$148,825	\$27,533	\$143,237	19.22%
Learned	\$0	\$0	\$7,393	0.00%

Additional variance exists between municipalities in the total dollar amount received from sales tax diversions and the relative percentage that sales tax diversions from non-prepared food comprise as a percent of total municipal sales tax diversions. For example, the City of Jackson's sales tax diversion from non-prepared food is \$4,223,493, but this accounts for only 11.7 percent of total municipal revenue from all diversions; however for the City of Utica, sales tax diversions from non-prepared food are \$64,552 but this accounts for 41 percent of total municipal revenue from all diversions.

- In Fiscal Year 2005, total sales tax collections in the state of Mississippi were \$1,583,459,076 representing 41.9 percent of total General Revenue Fund receipts in FY 2005.

General Fund Receipts Fiscal Year 2005		% of Total
Sales Tax	\$1,583,459,076	41.91%
Individual Income	\$1,165,899,674	30.86%
Corporate	\$361,298,066	9.56%
Use Taxes	\$157,385,180	4.17%
Gaming Fees and Taxes	\$168,540,140	4.46%
Insurance Premiums	\$135,637,033	3.59%
Tobacco Taxes	\$56,018,644	1.48%
Alcoholic Beverage	\$50,474,330	1.34%
Other Taxes	\$99,124,646	2.62%
Total	\$3,777,836,789	100.00%

Source: Mississippi State Tax Commission Annual Report 2005

- Food and Beverage sales tax collections were \$464,743,083 in fiscal year 2005, representing 19.2 percent of total Sales Tax collections and 12.3 percent of total General Revenue Fund receipts in FY 2005.

<i>Mississippi Gross Sales Tax Collections by Industry Group 2005</i>		<i>% of Total</i>
Automotive	\$338,187,675	13.97%
Machinery, Equipment & Supplies	\$125,266,622	5.17%
Food and Beverage	\$464,743,083	19.19%
Furniture	\$53,710,239	2.22%
General Merchandise	\$464,513,222	19.18%
Lumber and Building Materials	\$184,936,838	7.64%
Miscellaneous Retail	\$228,369,937	9.43%
Miscellaneous Services	\$135,959,817	5.61%
Wholesale	\$45,484,350	1.88%
Public Utility	\$209,730,613	8.66%
Contracting	\$162,870,191	6.73%
Recreation	\$7,764,135	0.32%
Total	\$2,421,536,722	100.00%

Source: Mississippi State Tax Commission Annual Report 2005

The impact of exempting or reducing sales taxes on groceries (non-prepared foods) or food at-home will be dependent upon how this exemption or reduction defines “non-prepared foods” or “food for consumption at home.” As demonstrated in the table below, the cost in terms of lost sales tax revenues may range from a low of \$240.5 million to a high of \$256.3 million if non-prepared foods are technically defined in a manner similar to that used to define purchases that are eligible for food stamps.

<i>Mississippi Total Food and Beverage Sales Tax Collections Fiscal Year 2005</i>	
Grocery Stores - General	\$123,712,766
Quick Stop Grocery Stores	\$98,727,185
Meat, Poultry, and Fish Products	\$2,343,581
Specialty Food Related	\$15,679,284
Subtotal	\$240,462,816
Concessions, Quick Food, Ice Cream Parlors	\$15,848,106
Subtotal	\$256,310,922
Restaurants and Cafes - Nonalcoholic	\$122,163,482
Restaurants and Cafes - Alcoholic	\$49,885,274
Liquor Stores - Bars Only	\$19,062,976
Liquor Stores - Package Stores	\$14,055,572
Beer Parlors	\$3,264,857
Total Sales Tax Collections on all Food and Beverage	\$464,743,083

Source: Mississippi State Tax Commission Annual Report 2005

Alternatively, statistics generated by the Mississippi State Tax Commission to estimate the sales taxes collected on the sale of non-prepared food are quoted below:

Total Sales Tax Collected on Sales of Non-prepared Foods:	\$336,350,000
Total Sales Tax with 2.4 % Growth for FY 2006:	\$345,000,000
Total City Diversion on Non-prepared Foods at 18.5%:	\$ 56,100,000
Total City Diversion with 2.5% Growth for FY 2006:	\$57,500,000
FY 2005 Total City Diversion Received:	\$342,499,301
Non-prepared Foods Diversion as Percentage of Total Diversion*	16%

* This figure represents the average percentage statewide. The specific city percentages range from a low of 0% to a high of 67%

Source: provided by the Mississippi State Tax Commission

To introduce more certainty into the decision-making process regarding the actual sales tax collections on unprepared foods in the state of Mississippi, the Stennis Institute utilized multiple alternative methods to estimate sales taxes collected on “non-prepared” foods or food-at-home, to include:

Method 1

The Institute extracted data from the Mississippi Sales Tax Commission's printout. Using these figures to estimate a maximum of \$333.2 million; however, it is highly unlikely that foods sold in restaurants and cafes (non-alcoholic and alcoholic) and much of what is sold in Gasoline Service Stations, Concessions, and Gift, Novelty, or Souvenir categories qualify as non-prepared foods under the Federal guidelines that govern purchases using food stamps. Generally, Food stamps cannot be used to buy:

- Any nonfood item, such as pet foods; soaps, paper products, and household supplies; grooming items, toothpaste, and cosmetics
- Alcoholic beverages and tobacco
- Vitamins and medicines
- Any food that will be eaten in the store
- Hot foods or foods that are “mixed or prepared” in a store prior to being eaten

<i>Sales Taxes Collected on Food by Sector 2005</i>	
Grocery Stores General	\$104,983,482
Quick Stop	\$83,712,790
Meat poultry fish products	\$2,006,542
Specialty Food Related	\$13,752,035
Restaurants & Cafés No Alcohol	\$6,107,735
Restaurants & Cafés Alcohol	\$2,506,807
Concessions	\$814,473
Department Stores	\$112,160,610

General Merchandise NEC	\$927,227
Gift, Novelty, Souvenir	\$507,321
Drug Stores	\$752,950
Gasoline Service Stations	\$691,824
Dry Goods & Apparel	\$77,186
Groceries General	\$2,226,184
Soft Drinks	\$1,071,886
Dairy Products	\$255,107
Fish and Seafood	\$20,411
Meat & Meat Products	\$116,277
Fresh Fruit	\$46,559
Grocery Related	\$461,967
Total Sales Tax Collections on Sales Food	\$333,199,373
<i>Source: Stennis Institute prepared from documents prepared by Mississippi Tax Commission</i>	

Method 2

The Institute used data from the U.S. Census Bureau: there are an estimated 1,104,807 households in Mississippi, with an average size of 2.55. Using this data and data on 2005 Consumer Expenditures for a Consumer Unit of 3 persons from the Bureau of Labor Statistics as presented in the table below, generated an estimate of sales tax collections on unprepared food of \$303.5 million.

Food Expenditure Category	Annual Expenditures	Number of Households in Mississippi	Total Expenditures	Sales Tax @ .07%
Total Expenditures on Food	\$7,088	1,104,807	\$7,830,872,016	\$548,161,041.12
Food at Home	\$3,925	1,104,807	\$4,336,367,475	\$303,545,723.25
Food Away from Home	\$3,163	1,104,807	\$3,494,504,541	\$244,615,317.87

Method 3: The Institute utilized consumer expenditure data for the South U.S. in 2005 generated by income quintile, extrapolating Mississippi population data (available only for 2000 by income quintiles in ranges identical to those used by Bureau of Labor Statistics), to generate estimates of consumer expenditures and sales tax collections for all food and for food at home. This method generated an estimate of sales tax revenue collections for food at home of \$ 240 million – but does not account for population and income growth in Mississippi between 2000 and 2005.

Table 6: Estimates of Consumer Expenditures on Food in Mississippi 2005
U.S. Consumer Expenditures by Income Group for South 2005

Item	Total south	Less than \$5,000	\$5,000 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and more
Income before taxes	\$52,066	\$1,798	\$7,764	\$12,543	\$17,413	\$24,867	\$34,608	\$44,493	\$59,095	\$118,948
Income after taxes	50,106	1,747	7,807	12,678	17,499	24,441	34,129	43,484	56,958	112,933
Average annual expenditures	\$40,903	\$16,736	\$14,116	\$17,967	\$22,100	\$27,489	\$33,320	\$37,938	\$45,943	\$74,618
Food	5,404	3,098	2,364	3,083	3,528	3,896	4,649	5,116	6,100	8,648
Food at home	3,065	1,947	1,673	2,185	2,338	2,572	2,742	2,930	3,390	4,329
Food away from home	2,340	1,151	691	898	1,189	1,324	1,907	2,186	2,710	4,319
Tobacco products and smoking supplies	304	226	228	259	306	324	373	342	318	283
Source: Consumer Expenditure Survey, Bureau of Labor Statistics, 2005.										
Estimate of Mississippi Expenditures										
Mississippi Population in Income Category*	196,838	156,947	183,193	164,138	282,533	175,765	88,206	78,479	59,843	59,843
Food at home	1,947	1,673	2,185	2,338	2,572	2,742	2,930	3,390	4,329	4,329
Food away from home	1,151	691	898	1,189	1,324	1,907	2,186	2,710	4,319	4,319
Food at home	\$3,422,017,509	\$383,243,586	\$262,572,331	\$400,276,705	\$383,754,644	\$726,674,876	\$481,947,630	\$258,443,580	\$266,043,810	\$259,060,347
Food away from home	\$2,067,894,181	\$226,560,538	\$108,450,377	\$164,507,314	\$195,160,082	\$374,073,692	\$335,183,855	\$192,818,316	\$212,678,090	\$258,461,917
Sales Tax Revenues Food At Home	239,541,226*	26,827,051	18,380,063	28,019,369	26,862,825	50,867,241	33,736,334	18,091,051	18,623,067	18,134,224
Sales Tax Revenues Food Away from Home	\$144,752,593	\$15,859,238	\$7,591,526	\$11,515,512	\$13,661,206	\$26,185,158	\$23,462,870	\$13,497,282	\$14,887,466	\$18,092,334
Percent sales tax revenues on food at home		11.2%	7.7%	11.7%	11.2%	21.2%	14.1%	7.6%	7.8%	7.6%

The findings of this initial analysis indicate that there exists a high probability that sales tax collections on non-prepared foods in the state of Mississippi are within a range of \$240 to \$250 million with a maximum potential of \$336 million – the figure calculated by the Mississippi State Tax Commission. To develop conservative estimates, the Institute used this maximum figure to evaluate the impact of reducing the sales tax on non-prepared foods and to evaluate “worst case scenarios” of potential revenue losses to the state general revenue fund from reductions in sales taxes on groceries. For example, under the guidelines of S.B. 3098, if grocery taxes are reduced from 7 percent to 3.5 percent, then anticipated sales tax revenue loss, using the ceiling figure provided by the Mississippi State Tax Commission or \$336,350,000, will be \$168,175,000 – which will need to be replaced from other sources of revenue; alternatively if grocery sales tax collections are \$256,310,922, then anticipated sales tax revenue loss for the 50 percent reduction in grocery sales taxes will only be \$128,155,461.

Section 4 of S.B. 3098 reduces the sales tax on food for human consumption (defined as food that qualifies for purchase with food stamps) from 7 percent to 3 ½ percent effective July 1, 2007. S.B. 3098 also increases the rate of municipal diversion on sales tax collections on food as identified in this section from 18.5 percent to 37 percent. This element of S.B. 3098 assures that municipalities will not experience any loss of sales tax diversion revenues as a result of the decreased sales tax on food. Municipalities may recognize increases in sales tax diversions as a result of this legislation for the following reason: (see page 94 of Policy Report 200-1202) for the lowest-income groups, the money saved from not paying taxes on groceries and the lower ultimate prices on food, the savings would likely be spent to purchase more non-taxable food, resulting in non-taxable expenditures and no related sales tax revenues (a net loss in sales tax collections) However, for higher-income groups the savings from not paying taxes on groceries would more likely be spent on taxable items, such as eating out, apparel, home furnishings, or personal care products, as well as for non-taxable services. Analysis of the most recent Consumer Expenditure Survey data suggests that the propensity to purchase food for consumption at home from increased income is 5 to 10 percent (dependent upon income level, family size, age group and other variables). Approximately 90 to 95 percent of the savings from not paying taxes on non-prepared foods then becomes available for other purchases. Again, using data from the Consumer Expenditure Survey, and assuming that food in restaurants, alcohol, housekeeping supplies, household furnishings, apparel, new care expenditures, personal care items and tobacco products are all taxable, leads to the assumption that at least 12 to 13 percent of savings from not paying taxes on groceries would be consumed as taxable expenditures. Assuming sales taxes on unprepared food range from \$300 million to \$336 million, these new expenditures on taxable items would reduce the actual tax loss from the sales tax exemption of unprepared food by

approximately \$18 million by creating new spending on taxable items.¹ A portion of these new sales tax revenues will be returned to municipalities in the form of increased diversions, at a rate of 18.5 percent of total new sales tax collections. Estimates of these increased diversions to municipalities are provided in Appendix A of this document; the equations used to generate these estimates maintained the proportional ratio distributions of existing sales tax diversions to municipalities for Fiscal Year 2005. Appendix A also contains estimates of new sales tax diversions to municipalities revenues associated with the increased excise tax on cigarettes and related increases in the selling price of cigarettes; the equations used to generate these estimates were based on 2005 municipal populations and extrapolated using the lower and upper bound of elasticity functions at .62 and .82 cent per pack cigarette excise tax increases.

Using econometric models described in the full Policy Report 200-1202 (pages 77 to 87) that use 2005 cigarette consumption as a base, the estimated reduction in annual packs sold per adult aged 18 and over resulting from the \$.62 increase in the state cigarette excise tax to a total of \$.80 per pack, are estimated to range from 5.7 to 8.7 packs per adult. From and after July 1, 2008 the excise tax increase of \$.82 cents per pack to a total of \$1.00 per pack is estimated to result in reductions that range from 7.3 to 11.6 packs per adult at the aggregate level. The \$1.00 per pack excise tax on cigarettes will result in aggregate state excise tax revenue ranging from \$146.5 million to \$153.6 million. In addition to this increase in cigarette excise tax revenue collections by the state, additional sales tax revenues that range from \$10.2 million for the lower bound to \$10.7 million for the upper bound are predicted to be generated based upon the 7 percent sales tax on the marginal increased final selling price of cigarettes and 18.5 percent diversion to municipalities.

The table on the following page provides revenue impact estimates using the lower and upper bound of predicted new sales tax revenues (\$126.5 to \$153.6 million) based on increasing the cigarette excise tax to \$1.00 per pack, using alternative assumptions of actual sales tax revenues on groceries (non-prepared foods). This model uses the maximum estimate of current sales tax revenues provided by the Mississippi State Tax Commission (\$336.6 million), along with alternative scenarios of reduced estimates of actual sales tax revenues on non-prepared foods generated by the Stennis Institute.

¹ Note: this potential recapture of sales tax revenues has not been included into the calculations of the impact on revenues presented in the table on page 18.

Predicted Changes in Revenues based on Reducing Existing Sales Tax on Non-Prepared Food by fifty percent to 3.5% Tax and New Cigarette Excise Tax Collection at \$1.00 per Pack

Alternative Policy Scenarios						
	Tax Commission Printout	Stennis Institute	Grocery Stores (General); Quick Stops; Meat, Poultry and Fish Products; and Specialty Food Stores	Grocery Stores (General); Quick Stops; Meat, Poultry and Fish Products; and Specialty Food Stores plus Concessions	Grocery Stores Only	Grocery Stores and Quick Stops
Current Grocery (Non-Prepared food) Sales Tax Revenues (FY 2005)	\$336,350,000	\$333,199,373	\$240,462,816	\$256,310,922	\$123,712,766	\$222,439,951
Grocery (Non-Prepared food) Sales Tax Revenue at 3.5 percent	\$168,175,000	\$166,599,687	\$120,231,408	\$128,155,461	\$61,856,383	\$111,219,976
Lower Bound Cigarette Excise Tax Revenue at \$1.00 per pack	\$146,500,000	\$146,500,000	\$146,500,000	\$146,500,000	\$146,500,000	\$146,500,000
Upper Bound Cigarette Excise Tax Revenue at \$1.00 per pack	\$153,600,000	\$153,600,000	\$153,600,000	\$153,600,000	\$153,600,000	\$153,600,000
Lower Bound Difference in total Revenue Collections	(\$21,675,000)	(\$20,099,687)	\$26,268,592	\$18,344,539	\$84,643,617	\$35,280,025
Upper Bound Difference in Total Revenue Collections	(\$14,575,000)	(\$12,999,687)	\$33,368,592	\$25,444,539	\$91,743,617	\$42,380,025

Note: These calculations do not include additional marginal increases in sales tax revenue in the amount of \$10.2 to \$10.7 million associated with a 7 percent sales tax on the final selling price of cigarettes due to an 82 cent increase in the cost of a pack of cigarettes and do not include the potential \$18 million in new sales tax revenues associated with consumer expenditures on taxable items related to savings on grocery taxes

A more comprehensive discussion of the issues presented in this Executive Summary including citations and sources is provided in Policy Report 200-1202: Tobacco and Food Taxation Policy Options for Mississippi – available on the Stennis Institute's Website at: http://www.ms.govt.org/files/200_1202_Tobacco_and_Grocery_Taxes.pdf

Policy decisions regarding taxes on tobacco and taxes on groceries are complex when considered individually; combining these two policies adds complexity to the decision-making process. Policy Report 200-1202: *Tobacco and Food Taxation Policy Options in Mississippi* provides a comprehensive discussion and quantitative analysis of these policy issues. The answer to whether to substitute an increase in cigarette excise taxes for a reduction in grocery taxes includes multiple qualitative decision-making components that are not addressed in this report. The primary purpose of Policy Report 200-1202 is to provide a broad overview of issues related to tobacco and grocery tax in Mississippi within a national and historic context and to conduct quantitative analysis of the revenue impact of these policies to introduce a level of clarity and certainty into the public policy decision-making process. Policy makers must weigh the balance between the health and welfare of the citizens of Mississippi with the fiscal responsibility to assure that revenues are available at the state and municipal level to continue to provide necessary public services. This document has offered several facts into evidence. The sales tax on groceries is clearly regressive in nature and the regressivity of the sales tax on food is a particular issue in a state like Mississippi where incomes are generally low and where the income of the richest citizens is taxed less than the poor. An increased tax on cigarettes is also regressive because cigarette consumption is higher among the poor and less educated, however cigarettes account for a much smaller percentage of consumer expenditures (less than one percent) and not all low income people are smokers; food is a necessity and cigarettes are not; food is necessary for the health of children, cigarettes are detrimental to the health of everyone. The costs related to the internalities and externalities of cigarette consumption are easier to quantify than are the costs related to the internalities and externalities of grocery taxes. The quantitative input into the decision related to increasing excise taxes on cigarettes is extensive; the longitudinal experience of other states with increased taxes on tobacco, the extensive econometric research on the price elasticity of demand, behavioral research on consumer behavior and cigarette tax increases, and a comprehensive body of health research on smoking attributable death, disease, and health care costs provide clarity to policy decision on tobacco excise tax increases. Grocery tax policy issues require greater emphasis on qualitative decision-making elements. Quantitatively, sales taxes and specifically sales taxes on food at home as a percent of total tax revenues are decreasing across the nation. In the long term, some other tax system will have to be found to replace the sales tax on food or tax revenues in Mississippi will decline.

This page intentionally left blank for formatting purposes

APPENDIX A

Notes about assumptions and reliability of predicted values presented in Appendix A

Multiple variables and changing consumer purchasing patterns impact predictions and estimates of cigarette and grocery tax revenues. State level aggregate predictions of revenues related to cigarette and grocery taxes presented in this document exhibit a 95 percent confidence level. As data and analysis is disaggregated to the county and municipal levels, the level of confidence decreases due to a significant number of variables that impact consumer consumption and purchasing patterns, these factors include:

1. Calculations for predicted marginal increases in sales tax revenues on cigarette taxes are based on municipal population estimates for 2005 prepared by the U.S. Census Bureau – not on actual census figures
2. Cigarette consumption indicates high variability based upon educational attainment, income, race, gender, age, and other demographic variables that are significantly different from one municipality to another within the state of Mississippi
3. Consumer purchasing patterns may be significantly different from one municipality to another depending upon the geographic location of retail locations (i.e. whether grocery stores or convenience stores are located within the municipal boundaries; or whether sites of employment are located inside or outside of the municipal boundaries); consumer grocery shopping patterns are also showing trends away from traditional grocery stores toward super centers, such as Wal-Mart – the location of these super centers will impact municipal tax revenue collections. Integrating these socio-geographic variables into predictions of municipal revenues for 380 municipalities was beyond the scope of this report.
4. Municipalities that have enacted Clean Air regulations will experience changing consumer behaviors related to cigarette consumption
5. Multiple factors may impact the predictions of new sales tax revenues presented in Appendix A and have not been integrated into the Stennis Institute's calculations. These include cigarette manufacturer and distributor's response to increased taxes and the level of change in their price subsidizing policies, potential new health findings related to smoking, or significant shifts in consumer purchasing patterns, such as a major economic downturn which should shift consumer purchases of food away from home toward food for consumption at home and reduce total income available for all purchases
6. There exists a significant lack of specific quantitative data on the exact amount of grocery taxes collected on non-prepared foods, even at the state level; and the data on cigarette consumption exhibits a similar lack of accuracy and specificity at the state and at the national level

For answers on specific questions regarding statistical calculation or the finding of the Policy Report: Tobacco and Food Taxation Policy Options in Mississippi, contact: 662.325.3329



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Adams	Natchez	\$11,533.54	\$22,158.28
Alcorn	Corinth	\$9,948.72	\$23,365.77
Alcorn	Rienzi	\$227.50	\$194.26
Alcorn	Kossuth	\$120.73	\$60.48
Alcorn	Glen	\$205.17	\$105.44
Alcorn	Farmington	\$1,288.25	\$266.33
Amite	Liberty	\$480.34	\$1,041.89
Amite	Gloster	\$742.21	\$601.74
Attala	Kosciusko	\$5,015.33	\$8,381.71
Attala	McCool	\$128.56	\$29.38
Attala	Ethel	\$313.20	\$35.51
Attala	Sallis	\$73.86	\$23.96
Benton	Ashland	\$380.30	\$489.59
Benton	Hickory Flat	\$365.46	\$331.55
Benton	Snow Lake Shores	\$193.52	\$10.79
Bolivar	Cleveland	\$8,443.43	\$13,300.42
Bolivar	Shelby	\$1,779.19	\$448.23
Bolivar	Rosedale	\$1,594.75	\$357.02
Bolivar	Mound Bayou	\$1,329.29	\$230.57
Bolivar	Merigold	\$411.04	\$327.49
Bolivar	Boyle	\$445.95	\$747.86
Bolivar	Duncan	\$367.56	\$27.25
Bolivar	Alligator	\$135.04	\$51.57
Bolivar	Gunnison	\$398.52	\$38.20
Bolivar	Benoit	\$384.69	\$432.82
Bolivar	Beulah	\$293.79	\$25.11
Bolivar	Pace	\$243.73	\$33.34
Bolivar	Shaw	\$1,472.23	\$386.86
Bolivar	Winstonville	\$196.96	\$15.87
Bolivar	Renova	\$380.08	\$142.28
Calhoun	Calhoun City	\$1,258.61	\$1,276.15
Calhoun	Bruce	\$1,409.09	\$1,802.63
Calhoun	Vardaman	\$706.62	\$296.44
Calhoun	Big Creek	\$85.29	\$39.82
Calhoun	Derma	\$780.82	\$350.61
Calhoun	Pittsboro	\$143.54	\$30.80
Calhoun	Slate Springs	\$81.83	\$21.84
Carroll	Vaiden	\$612.50	\$523.89
Carroll	Carrollton	\$284.07	\$175.56
Carroll	North Carrollton	\$339.88	\$143.40
Chickasaw	Houston	\$2,610.52	\$3,895.42



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Chickasaw	New Houlika	\$462.42	\$342.10
Chickasaw	Okolona	\$1,938.21	\$1,094.56
Chickasaw	Woodland	\$102.98	\$781.39
Choctaw	Ackerman	\$1,115.86	\$1,384.45
Choctaw	Weir	\$362.60	\$73.66
Choctaw	French Camp	\$266.14	\$57.01
Claiborne	Port Gibson	\$1,203.00	\$1,043.42
Clarke	Quitman	\$1,625.97	\$1,843.68
Clarke	Enterprise	\$309.12	\$145.75
Clarke	Shubuta	\$441.22	\$206.79
Clarke	Stonewall	\$747.62	\$194.86
Clarke	Pachuta	\$160.69	\$88.58
Clay	West Point	\$7,719.62	\$7,325.52
Coahoma	Clarksdale	\$11,929.39	\$13,144.69
Coahoma	Jonestown	\$1,015.70	\$316.42
Coahoma	Friars Point	\$868.57	\$146.89
Coahoma	Lula	\$212.66	\$312.03
Coahoma	Lyon	\$241.72	\$186.35
Coahoma	Coahoma	\$211.42	\$23.82
Copiah	Hazlehurst	\$2,963.35	\$3,759.88
Copiah	Crystal Springs	\$4,007.84	\$2,628.24
Copiah	Wesson	\$1,146.84	\$661.60
Copiah	Georgetown	\$237.91	\$125.77
Copiah	Beauregard	\$185.72	\$14.63
Covington	Seminary	\$232.46	\$319.84
Covington	Collins	\$1,839.06	\$5,263.31
Covington	Mount Olive	\$599.47	\$285.02
DeSoto	Hernando	\$6,572.32	\$7,538.89
DeSoto	Olive Branch	\$18,583.25	\$25,117.78
DeSoto	Horn Lake	\$14,720.26	\$18,362.39
DeSoto	Walls	\$300.37	\$75.21
DeSoto	Southaven	\$25,810.80	\$45,041.55
Forrest	Hattiesburg	\$30,865.90	\$89,775.30
Forrest	Petal	\$7,003.02	\$6,820.07
Franklin	Meadville	\$349.65	\$572.44
Franklin	Bude	\$708.93	\$445.82
Franklin	Roxie	\$388.19	\$58.50
George	Lucedale	\$1,893.35	\$6,865.03
Greene	Leakesville	\$712.98	\$1,150.48
Greene	State Line	\$223.74	\$295.29
Greene	McLain	\$412.78	\$66.82



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Grenada	Grenada	\$9,816.94	\$19,481.83
Hancock	Bay St. Louis	\$5,783.08	\$7,229.41
Hancock	Waveland	\$5,025.17	\$10,325.89
Harrison	Gulfport	\$48,838.92	\$94,184.99
Harrison	Biloxi	\$33,839.61	\$67,809.88
Harrison	Pass Christian	\$4,617.40	\$5,359.96
Harrison	Long Beach	\$11,648.31	\$6,704.40
Harrison	D'Iberville	\$5,324.40	\$16,744.33
Hinds	Jackson	\$117,291.10	\$185,950.67
Hinds	Clinton	\$17,205.28	\$15,204.36
Hinds	Utica	\$609.73	\$543.00
Hinds	Edwards	\$863.01	\$230.69
Hinds	Raymond	\$1,111.66	\$717.53
Hinds	Terry	\$463.58	\$532.01
Hinds	Bolton	\$404.06	\$677.20
Hinds	Learned	\$31.08	\$43.27
Holmes	Pickens	\$785.62	\$380.60
Holmes	Durant	\$1,798.14	\$1,226.23
Holmes	Lexington	\$1,226.78	\$1,864.11
Holmes	Tchula	\$1,424.61	\$292.26
Holmes	Goodman	\$771.08	\$167.84
Holmes	Cruger	\$274.94	\$26.49
Holmes	West	\$128.30	\$135.17
Humphrey	Belzoni	\$1,589.24	\$2,094.64
Humphrey	Isola	\$448.44	\$175.23
Humphrey	Louise	\$185.13	\$57.65
Humphrey	Silver City	\$197.01	\$21.67
Issaquena	Mayersville	\$490.00	\$43.49
Itawamba	Fulton	\$2,858.18	\$5,641.53
Itawamba	Mantachie	\$790.14	\$781.69
Itawamba	Tremont	\$275.92	\$118.03
Jackson	Pascagoula	\$16,932.28	\$26,714.32
Jackson	Moss Point	\$10,173.63	\$7,053.86
Jackson	Ocean Springs	\$11,961.50	\$17,745.79
Jackson	Gautier	\$11,331.24	\$10,252.37
Jasper	Bay Springs	\$1,472.30	\$2,827.23
Jasper	Heidelberg	\$543.56	\$1,667.52
Jasper	Louin	\$225.48	\$96.40
Jasper	Montrose	\$84.55	\$19.03
Jasper	Paulding	\$12,187.79	\$20.60
Jefferson	Fayette	\$1,426.36	\$657.88



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Jefferson	Prentiss	\$716.62	\$2,302.26
Jefferson	Bassfield	\$193.85	\$522.04
Jones	Laurel	\$12,476.06	\$35,891.27
Jones	Ellisville	\$2,546.62	\$2,770.53
Jones	Sandersville	\$546.14	\$1,565.74
Jones	Soso	\$261.82	\$444.87
Kemper	De kalb	\$640.44	\$923.52
Kemper	Scooba	\$414.24	\$368.93
Lafayette	Oxford	\$10,157.96	\$22,623.98
Lafayette	Taylor	\$219.30	\$33.57
Lafayette	Abbeville	\$318.51	\$105.22
Lamar	Purvis	\$1,634.97	\$2,270.96
Lamar	Sumrall	\$777.70	\$1,007.62
Lamar	Lumberton	\$1,636.97	\$770.48
Lauderdale	Meridian	\$25,834.20	\$62,158.02
Lauderdale	Marion	\$929.51	\$839.48
Lawrence	Monticello	\$1,167.78	\$1,598.82
Lawrence	New Hebron	\$302.11	\$260.72
Lawrence	Silver Creek	\$157.83	\$131.86
Leake	Carthage	\$3,079.35	\$7,180.84
Leake	Lena	\$107.79	\$53.81
Leake	Walnut Grove	\$813.24	\$224.71
Lee	Baldwyn	\$987.18	\$2,454.38
Lee	Tupelo	\$23,762.18	\$78,226.52
Lee	Verona	\$2,250.79	\$1,426.00
Lee	Saltillo	\$2,523.89	\$2,344.72
Lee	Guntown	\$873.27	\$482.47
Lee	Plantersville	\$877.93	\$194.38
Lee	Shannon	\$1,135.05	\$894.19
Leflore	Greenwood	\$11,279.64	\$19,070.24
Leflore	Itta Bena	\$1,313.05	\$748.55
Leflore	Sidon	\$388.26	-\$6.78
Leflore	Morgan City	\$194.45	\$24.24
Leflore	Schlater	\$241.28	\$53.68
Lincoln	Brookhaven	\$6,759.26	\$19,614.07
Lowndes	Columbus	\$16,124.75	\$40,410.08
Lowndes	Artesia	\$317.54	\$27.47
Lowndes	Crawford	\$418.55	\$53.95
Lowndes	Caledonia	\$643.01	\$278.89
Madison	Flora	\$980.23	\$1,195.39
Madison	Canton	\$8,294.78	\$9,837.09



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Madison	Madison	\$11,100.17	\$14,422.59
Madison	Ridgeland	\$14,083.95	\$47,308.53
Marion	Columbia	\$4,279.06	\$14,521.22
Marshall	Holly Springs	\$5,430.00	\$5,404.17
Marshall	Potts Camp	\$344.88	\$279.31
Marshall	Byhalia	\$485.14	\$2,746.02
Monroe	Aberdeen	\$4,251.41	\$4,497.27
Monroe	Nettleton	\$516.83	\$920.84
Monroe	Amory	\$5,062.50	\$7,964.16
Monroe	Smithville	\$600.13	\$290.07
Monroe	Gattman	\$78.51	\$16.20
Monroe	Hatley	\$322.93	\$35.51
Montgome	Winona	\$3,354.28	\$4,511.36
Montgome	Duck Hill	\$986.43	\$119.54
Montgome	Kilmichael	\$499.67	\$210.49
Neshoba	Philadelphia	\$4,981.64	\$14,419.11
Newton	Newton	\$2,491.78	\$4,384.52
Newton	Decatur	\$960.35	\$415.25
Newton	Union	\$372.42	\$1,518.30
Newton	Chunky	\$239.08	\$30.84
Newton	Hickory	\$344.81	\$263.40
Noxubee	Macon	\$1,516.91	\$1,329.33
Noxubee	Brooksville	\$742.02	\$309.70
Noxubee	Shuqualak	\$352.63	\$183.74
Oktibbeha	Starkville	\$16,269.73	\$19,666.96
Oktibbeha	Maben	\$373.46	\$322.47
Oktibbeha	Sturgis	\$138.21	\$182.95
Panola	Sardis	\$1,336.89	\$1,108.22
Panola	Como	\$868.68	\$664.01
Panola	Batesville	\$5,068.74	\$17,171.26
Panola	Crenshaw	\$469.52	\$168.67
Panola	Courtland	\$314.33	\$84.20
Panola	Pope	\$161.11	\$77.22
Pearl Rive	Picayune	\$7,373.73	\$15,712.10
Pearl Rive	Poplarville	\$1,813.14	\$2,369.27
Perry	Richton	\$671.04	\$1,087.49
Perry	Beaumont	\$649.73	\$280.18
Perry	New Augusta	\$463.34	\$601.64
Pike	McComb	\$8,759.63	\$22,845.44
Pike	Magnolia	\$1,375.06	\$1,545.15
Pike	Summit	\$1,060.23	\$1,469.39



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Pike	Osyka	\$328.06	\$166.61
Pontotoc	Pontotoc	\$3,907.53	\$6,973.30
Pontotoc	Sherman	\$0.68	\$542.77
Pontotoc	Ecru	\$685.71	\$443.24
Pontotoc	Toccopola	\$186.46	\$21.28
Pontotoc	Thaxton	\$395.21	\$63.50
Pontotoc	Algoma	\$360.08	\$75.34
Prentiss	Booneville	\$5,954.41	\$7,232.25
Prentiss	Marietta	\$172.01	\$95.50
Prentiss	Jumpertown	\$281.59	\$57.69
Quitman	Crowder	\$200.45	\$50.23
Quitman	Lambert	\$1,160.56	\$171.92
Quitman	Marks	\$1,208.44	\$1,269.47
Quitman	Sledge	\$312.16	\$95.13
Quitman	Falcon	\$194.70	\$8.14
Rankin	Brandon	\$13,308.15	\$18,667.59
Rankin	Pelahatchie	\$1,022.65	\$1,108.42
Rankin	Florence	\$2,102.26	\$2,525.71
Rankin	Flowood	\$4,641.04	\$32,555.36
Rankin	Puckett	\$242.96	\$389.78
Rankin	Pearl	\$15,862.02	\$34,821.74
Rankin	Richland	\$4,839.39	\$19,298.28
Scott	Forest	\$3,980.53	\$7,501.57
Scott	Morton	\$2,271.85	\$1,748.74
Scott	Sebastopol	\$0.66	\$495.52
Scott	Lake	\$9.90	\$269.40
Sharkey	Rolling Fork	\$1,425.87	\$1,568.11
Sharkey	Anguilla	\$518.21	\$157.43
Sharkey	Cary	\$246.04	\$107.57
Simpson	Magee	\$2,856.63	\$8,008.09
Simpson	Mendenhall	\$1,692.42	\$2,339.63
Simpson	D'Lo	\$260.78	\$260.02
Simpson	Braxton	\$122.41	\$70.76
Smith	Taylorville	\$876.38	\$1,237.63
Smith	Raleigh	\$849.35	\$654.53
Smith	Mize	\$191.22	\$503.47
Smith	Polkville	\$88.52	\$9.78
Smith	Sylvarena	\$81.08	\$5.49
Stone	Wiggins	\$3,055.47	\$6,333.29
Sunflower	Indianola	\$7,588.21	\$7,203.81
Sunflower	Ruleville	\$1,967.26	\$769.45



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Sunflower	Drew	\$1,484.66	\$665.84
Sunflower	Moorhead	\$1,656.93	\$298.99
Sunflower	Doddsville	\$67.70	\$14.87
Sunflower	Inverness	\$711.16	\$352.23
Sunflower	Sunflower	\$430.32	\$128.97
Tallahatchi	Charleston	\$1,343.66	\$1,316.92
Tallahatchi	Tutwiler	\$873.97	\$137.14
Tallahatchi	Sumner	\$251.20	\$303.18
Tallahatchi	Webb	\$353.25	\$419.72
Tallahatchi	Glendora	\$177.93	\$22.02
Tate	Senatobia	\$4,628.64	\$9,546.31
Tate	Coldwater	\$1,111.17	\$861.99
Tippah	Ripley	\$3,870.51	\$5,111.92
Tippah	Walnut	\$521.52	\$802.93
Tippah	Blue Mountain	\$489.91	\$400.28
Tippah	Falkner	\$142.92	\$244.07
Tippah	Dumas	\$314.70	\$50.71
Tishomingo	Iuka	\$2,104.36	\$3,360.82
Tishomingo	Tishomingo	\$223.33	\$376.05
Tishomingo	Belmont	\$1,384.35	\$939.39
Tishomingo	Burnsville	\$732.69	\$549.34
Tishomingo	Paden	\$75.38	\$3.96
Tishomingo	Golden	\$142.31	\$130.09
Tunica	Tunica	\$688.31	\$2,652.40
Union	New Albany	\$5,443.91	\$10,306.31
Union	Myrtle	\$379.29	\$149.38
Union	Blue Springs	\$104.00	\$117.83
Walthall	Tylertown	\$1,269.03	\$2,520.83
Warren	Vicksburg	\$16,899.55	\$32,615.07
Washington	Greenville	\$24,572.84	\$32,017.12
Washington	Leland	\$3,272.44	\$1,834.28
Washington	Hollandale	\$2,023.62	\$716.50
Washington	Arcola	\$333.15	\$107.84
Washington	Metcalfe	\$784.32	\$50.15
Wayne	Waynesboro	\$3,801.83	\$8,287.75
Webster	Eupora	\$1,556.23	\$1,638.72
Webster	Mathiston	\$53.59	\$547.33
Webster	Mantee	\$113.37	\$76.47
Webster	Walthall	\$114.05	\$109.03
Wilkinson	Woodville	\$799.56	\$918.02
Wilkinson	Crosby	\$68.12	\$79.07



The John C. Stennis Institute of Government

County	Municipality	Median Increase in Municipal Sales Tax Diversion from estimated increase of .82 (\$1.00 per pack excise tax)	Upper Bound New Municipal Sales Tax Diversions based upon \$18 million of new consumer expenditures on taxable items from savings on Grocery Sales Taxes
Wilkinson	Centreville	\$161.70	\$687.86
Winston	Louisville	\$4,640.84	\$6,847.21
Winston	Noxapater	\$283.35	\$289.21
Yalobusha	Coffeeville	\$645.79	\$471.29
Yalobusha	Water Valley	\$2,606.33	\$1,668.00
Yalobusha	Oakland	\$407.11	\$190.91
Yazoo	Yazoo City	\$7,907.71	\$7,772.22
Yazoo	Bentonia	\$333.51	\$566.64
Yazoo	Eden	\$83.88	\$1.49
Yazoo	Satartia	\$45.27	\$60.82



The John C. Stennis Institute of Government

<i>Senate District</i>	<i>Senator</i>	<i>Potential New Sales Tax Diversions: New Consumer Spending Savings on Grocery Taxes</i>	<i>Potential New Sales Tax Diversions from Increase on Cigarettes to \$1.00 per pack</i>	<i>Total For Municipalities within District</i>
1	Doug Davis	\$71,018.04	\$47,403.75	\$118,421.79
2	Ralph Doxey	\$15,871.34	\$12,538.86	\$28,410.20
3	Nickey Browning	\$21,038.35	\$12,872.64	\$33,910.99
4	Travis Little	\$33,258.43	\$18,640.85	\$51,899.28
5	JP Wilemon, Jr.	\$21,195.34	\$15,324.54	\$36,519.88
6	Alan Nunnelee	\$84,050.86	\$28,147.20	\$112,198.06
7	Hob Bryan	\$92,262.98	\$35,748.34	\$128,011.32
8	Jack Gordon	\$108,135.83	\$45,053.97	\$153,189.80
9	Gray Tollison	\$26,829.61	\$16,051.91	\$42,881.52
10	Nolan Mettetal	\$29,732.11	\$14,159.53	\$43,891.64
11	Robert Jackson	\$18,546.16	\$18,713.60	\$37,259.76
12	Johnnie Walls	\$47,497.44	\$41,315.23	\$88,812.67
13	Willie Simmons	\$26,106.22	\$26,237.17	\$52,343.39
14	Lydia Chassaniol	\$52,618.02	\$32,188.74	\$84,806.76
15	Gary Jackson	\$31,323.02	\$27,013.77	\$58,336.79
16	Bennie Turner	\$68,103.38	\$42,334.23	\$110,437.61
17	Terry Brown	\$40,688.97	\$16,767.76	\$57,456.73
18	Gloria Williamson	\$30,533.19	\$14,278.63	\$44,811.82
19	Merle Flowers	\$88,521.72	\$59,114.31	\$147,636.03
20	Charlie Ross	\$344,671.99	\$185,603.86	\$530,275.85
21	Joseph Thomas	\$28,157.61	\$23,391.04	\$51,548.65
22	Eugene Clarke	\$57,870.87	\$49,901.50	\$107,772.37
23	Mike Chaney	\$32,719.38	\$17,434.82	\$50,154.20
24	David Jordan	\$25,801.01	\$22,040.54	\$47,841.55
25	J. Walter Michel	\$257,518.88	\$150,770.00	\$408,288.88
26	John Horhn	\$202,780.45	\$136,875.11	\$339,655.56
27	Hillman Frazier	\$201,155.03	\$134,496.38	\$335,651.41
28	Alice V. Harden	\$185,950.67	\$117,291.10	\$303,241.77
29	Richard White	\$201,687.04	\$134,959.96	\$336,647.00
30	Dean Kirby	\$291,683.42	\$156,184.66	\$447,868.08
31	Terry Burton	\$77,876.30	\$35,163.24	\$113,039.54
32	Sampson Jackson	\$72,650.23	\$34,328.77	\$106,979.00
33	Videt Carmichael	\$64,637.68	\$29,118.82	\$93,756.50
34	Billy Thames	\$53,728.40	\$23,687.02	\$77,415.42
35	Perry Lee	\$40,679.06	\$18,320.26	\$58,999.32
36	Lynn Posey	\$10,195.22	\$12,923.49	\$23,118.71
37	Bob M. Dearing	\$49,272.57	\$24,090.84	\$73,363.41
38	Kelvin Butler	\$50,471.56	\$24,828.11	\$75,299.67
39	Cindy Hyde-Smith	\$53,166.08	\$20,863.07	\$74,029.15
40	Sidney Albritton	\$32,754.15	\$12,921.82	\$45,675.97
41	Joey Fillingame	\$115,489.69	\$41,319.32	\$156,809.01
42	Stacey Pickering	\$110,889.21	\$40,236.62	\$151,125.83
43	Shannon Walley	\$16,665.37	\$7,044.68	\$23,710.05
44	Tom King	\$99,953.82	\$40,174.93	\$140,128.75
45	J. Ed Morgan	\$100,130.16	\$38,484.55	\$138,614.71
46	Scottie Cuevas	\$22,915.26	\$15,425.65	\$38,340.91
47	Ezell Lee	\$152,367.83	\$88,187.17	\$240,555.00
48	Deborah Dawkins	\$106,249.35	\$65,104.63	\$171,353.98
49	Billy Hewes	\$161,994.87	\$82,678.53	\$244,673.40
50	Tommy Gollott	\$246,549.08	\$121,842.54	\$368,391.62
51	Tommy Robertson	\$51,513.97	\$39,067.41	\$90,581.38
52	Tommy Moffatt	\$54,712.48	\$40,225.02	\$94,937.50

This page intentionally left blank for formatting purposes

This page intentionally left blank for formatting purposes

E-Mail: publications@sig.msstate.edu
Website: <http://sig.msstate.edu>



Mississippi State University does not discriminate on the basis of race, color, religion, national origin, sex, age, disability, sexual orientation, group affiliation, or veteran status.



**THE JOHN C. STENNIS
INSTITUTE OF GOVERNMENT**

Post Office Drawer LV, Mississippi State, MS 39762
Voice 662.325.3328 Fax 662.325.3772