

Economic Effects of Smoke-Free Ordinances in Mississippi Communities:

AN EXAMINATION OF TOURISM & ECONOMIC DEVELOPMENT TAX REVENUES

LOCATION	DATE OF ORDINANCE*	% CHANGE IN SMOKE-FREE COMMUNITIES	AVERAGE % CHANGE (DURING THE SAME PERIOD) IN THE AGGREGATED NO-ORDINANCE COMPARISON COMMUNITIES	DIFFERENCE
ABERDEEN	3/22/2007	6.66%	2.63%	4.03%
BATESVILLE	5/4/2010	1.84%	2.75%	-3.28%
CLINTON	8/14/2008	27.12%	-3.52%	30.64%
CORINTH	11/6/2007	-2.93%	0.73%	-3.66%
GREENWOOD	8/17/2007	4.16%	4.55%	-0.39%
GRENADA	1/8/2009	3.29%	-2.31%	5.60%
HATTIESBURG	1/1/2007	-3.31%	-0.71%	-2.60%
HERNANDO	3/8/2007	94.98%	1.15%	93.83%
JACKSON	7/1/2010	-2.96%	2.42%	-2.42%
KOSCIUSKO	11/2/2007	-16.86%	0.73%	-17.59%
LAUREL	12/4/2009	5.60%	-0.27%	5.87%
OXFORD	11/17/2006	-0.44%	-2.41%	1.97%
RIDGELAND	7/19/2007	8.30%	3.41%	4.88%
STARKVILLE	5/20/2006	5.14%	-4.72%	9.86%
TUPELO	10/5/2006	5.58%	-5.91%	11.49%
PEARL	9/1/2010	5.01%	0.92%	4.10%
PONTOTOC	5/1/2008	32.64%	-1.29%	33.93%
TOTAL		10.22%	-0.11%	10.33%

*STUDY PERIOD: 12 MONTHS BEFORE THE ORDINANCE AND 12 MONTHS AFTER THE ORDINANCE

This table presents the the inflation-adjusted pre- and post- ban data for the Mississippi communities that have comprehensive smoke-free ordinances, collect a TED tax, and have at least 12 months of post-ban data¹. The percentage change in revenue for these towns ranges from -17% to 95%. As other researchers have noted , this wide range reflects the volatile nature of the restaurant and hospitality industries, due to seasonality and turnover in businesses. Also, the largest changes occurred in the smaller communities.

For the communities with smoke-free ordinances as a whole, inflation-adjusted TED tax revenue were 10.2% greater in the 12 months following the enactment of a smoke-free ordinance. Conversely, there was no meaningful change in TED tax revenue in the aggregated control communities (-.1%).

There are several objective methods for assessing potential impacts of smoke-free laws on the hospitality industry. The most common approach is to examine trends in sales tax revenue from the hospitality sector before and after the smoke-free laws ordinances are enacted. In Mississippi, communities may choose to collect an optional Tourism and Economic Development (TED) tax that can be placed on restaurants and/or hotels/motels. This tax currently ranges from 1% to 4% of gross revenue. Most communities that collect a TED tax impose this tax on both restaurants and hotels/motels. Some communities collect the same percentage of tax from each sector, while others tax each sector at a different rate. Also, some communities only impose this tax on one sector of the local hospitality industry. Among the communities that collect this optional TED tax, 17 have implemented a comprehensive smoke-free ordinance and 16 have not implemented a smoke-free ordinance.

This study examines inflation-adjusted pre- and post-ordinance TED tax revenue data for each of the 17 communities with comprehensive smoke-free ordinances (and at least 12 months of post-ordinance data), and compares these revenue data to the revenue data from Mississippi communities without smoke-free ordinances. For each of the 17 communities with smoke-free ordinances, revenue data from these comparison communities were aggregated across the same two 12-months periods. The percent change in TED tax revenue for the smoke-free community was then compared to the aggregated percent change across the comparison communities. Finally, an average percent change in revenue was calculated for the 17 smoke-free communities and compared to the average percent change in the comparison communities.

SUMMARY

In order to provide a comparison for each of the 17 communities with comprehensive smoke-free

ordinances, we aggregated revenue data from the communities with the TED tax but without smoke-free ordinances and calculated a comparison for each smoke-free community. This table provides an average percent change in revenue in the communities without ordinances during the same time period we examined in the communities with smoke-free ordinances.

DETAILED METHODS

- Monthly sales tax collections data for municipalities are available at the local level from the Department of Revenue of the State of Mississippi. These monthly reports provide the amount of sales tax collected and the amount of Tourism and Economic Development (TED) taxes collected - <http://www.dor.ms.gov/info/stats/transfer.html>
- Data were adjusted for inflation using the Consumer Price Index (CPI) using September 2011 as the base month.
- We selected smoke-free communities with at least 12 months of post-ban data².
- We contrasted percent change in revenue in each of these smoke-free communities to the aggregated percent change in the comparison communities in Mississippi that did not have smoke-free ordinances³.
- Aggregated pre- and post-ordinance TED tax revenue data for control communities were extracted for the same period as each of the 17 smoke-free communities, and provide a comparison for the same time period.
 - Given that Mississippi communities adopted their smoke-free ordinance at different times, these time periods differ for the 17 smoke-free communities.
 - Aggregated data from the 16 communities without smoke-free ordinances provide economic controls⁴.

¹ Pope & Bartosch (1997)

² Hernando experienced atypical revenue in October 2007 (post-ordinance study period) that was approximately 10 times as high as the monthly average for the study period. In order to avoid skewing the results in favor of the post-ordinance period, we replaced the TED tax revenue in Hernando for October 2007 with the revenue amount from November 2007.

³ Bay Springs, Canton, Cleveland, Florence, Holly Springs, Horn Lake, Indianola, Magee, Moss Point, New Albany, Newton, Philadelphia, Richland, Southaven, Vicksburg, West Point

⁴ Data from two of the control communities were omitted due to changes in the TED tax structure during the study period. Ocean Springs increased the tax and Natchez added an occupancy TED tax during the study period.

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