

Economic Effects of Smoke-Free Ordinances in Mississippi Communities:

AN EXAMINATION OF TOURISM & ECONOMIC DEVELOPMENT TAX REVENUES

NOVEMBER 2016

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%	-2.45%	9.12%
BALDWYN	7/5/2013	-3.68%	0.67%	-4.35%
BATESVILLE	3/4/2010	9.27%	3.77%	5.50%
BRANDON	6/3/2015	8.19%	-3.75%	11.95%
CANTON	1/19/2012	15.91%	3.45%	12.46%
CLINTON	8/14/2008	32.04%	-4.81%	36.84%
CORINTH	11/6/2007	-2.93%	1.54%	-4.47%
FLORENCE	8/19/2012	3.18%	1.14%	2.04%
FLOWOOD	5/4/2011	5.95%	-2.34%	8.29%
GREENWOOD	8/16/2007	4.16%	5.42%	-1.25%
GRENADA	4/8/2009	3.29%	-5.95%	9.24%
HATTIESBURG	1/1/2007	-3.31%	-0.71%	-2.60%
HOLLY SPRINGS	10/1/2015	5.00%	-5.42%	10.42%
INDIANOLA	11/7/2012	-6.35%	0.95%	-7.30%
JACKSON	7/1/2010	-2.96%	4.42%	-7.38%
KOSCIUSKO	11/1/2007	-16.86%	1.54%	-18.40%
LAUREL	12/4/2008	5.60%	-4.84%	10.44%
MAGEE	11/19/2013	12.66%	-3.58%	16.25%
MOSS POINT	6/14/2012	2.49%	2.16%	0.33%
NEW ALBANY	12/1/2011	3.95%	-0.11%	4.06%
OXFORD	11/16/2006	-0.44%	-5.80%	5.37%
PASCAGOULA	7/18/2013	-16.38%	5.34%	-21.72%
PEARL	9/1/2010	4.81%	2.14%	2.68%
PICAYUNE	7/17/2014	6.51%	-3.64%	10.15%
PONTOTOC	5/1/2008	32.64%	-4.44%	37.08%
RIDGELAND	7/19/2007	8.30%	2.89%	5.40%
STARKVILLE	5/20/2006	5.14%	-4.72%	9.86%
TUPELO	10/5/2006	5.58%	-5.91%	11.49%
TOTAL		4.94%	-0.89%	5.83%

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

This table presents 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 33%. 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 percentage changes occurred in the smaller communities.

For the communities with smoke-free ordinances as a whole, inflation-adjusted TED tax revenue was 4.94% 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 (-0.06%).

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, 28 have implemented a comprehensive smoke-free ordinance.

This study examines inflation-adjusted pre- and post-ordinance TED tax revenue data for each of the 28 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 28 communities with smoke-free ordinances, revenue data from these comparison communities were aggregated across the same two 12-month 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 28 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 28 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 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.
- Data were adjusted for inflation using the Consumer Price Index (CPI) using June 2015 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 ordinances.
- Aggregated pre- and post-ordinance TED tax revenue data for control communities were extracted for the same period as each of the 28 smoke-free communities, and a comparison was provided for the same time period.
 - Given that Mississippi communities adopted their smoke-free ordinance at different times, these time periods differ for the 28 smoke-free communities.
 - Aggregated data from communities without smoke-free ordinances provide economic controls³.

¹ Pope & Bartosch (1997)

² Hernando experienced atypically high TED revenue in late 2007. In order to avoid skewing the results in favor of the post-ordinance period, we omitted Hernando from the analyses.

³ 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.

M S T O B A C C O D A . O R G



MISSISSIPPI STATE UNIVERSITY™
SOCIAL SCIENCE RESEARCH CENTER