

MEMORANDA IN OPPOSITION  
TO  
INCREASING THE CIGARETTE EXCISE TAX  
ON BEHALF OF THE  
TOBACCO INSTITUTE

New York State's cigarette excise tax is imposed at the rate of 21 cents per package of 20 cigarettes on the sale or use of cigarettes within the State. (A separate municipal excise tax of 8 cents per package is levied in New York City.) The Governor's 1989 legislative proposal will increase the State cigarette tax rate from 21 to 28 cents per package on June 1, 1989. That legislation adds a minimum of 7 cents to a package of cigarettes, or 70 cents to each carton purchase.

It has been often said, and consistently demonstrated, that excise taxes represent a very unfair means by which to raise tax revenues. Excise taxes on cigarettes are extremely regressive. A recent study, by the Citizens for Tax Justice, demonstrates that New York residents with incomes below \$9,000, pay, as a percentage of income, 8 times more in state cigarette taxes than New York residents with incomes above \$80,000.

Numerous leaders and groups throughout the Country have called excise taxes regressive and harmful to low and middle income families:

"Excise taxes are arbitrary and unfair, singling out low income members of our society - a large proportion of whom are Hispanics - to carry a disproportionate share of the tax burden." Beatrice Molena, President, Mexican-American Political Association.

"Excise taxes are regressive, actually taking a smaller percentage of income as income increases and, therefore, placing a larger tax burden on working families and the poor rather than the rich." National Black Caucus of State Legislators - Informational Brochure.

"Excise taxes are both regressive and unfair. They place a disproportionate burden on low and middle income Americans. Increases would wipe out and even surpass the gains made for the poor and middle class in last year's Tax Reform Act." Mayor John Smith, President, The National Conference of Black Mayors.

"While the median income of Hispanic families is only \$19,000 per year and 29% of all Hispanic-Americans live below the national poverty line, it is evident that any excise tax increase would have a severe and detrimental effect on the Hispanic-American community." Oscar Moran, President, League of United Latin American Citizens.

"The excise tax on basic commodities is regressive and unfair . . . If there is any tax that is more unfair to the poor than an excise tax, we hope that government never discovers it." Susan Rees, Executive Director, Coalition on Human Needs.

In light of the above statements, we respectfully urge that the New York State Legislature reject higher taxes on tobacco products. Cigarette smokers in New York State already pay over \$400,000,000 annually in the form of state excise taxes. Combined with tax differentials that make cigarette bootlegging and cigarette tax evasion profitable, such proposals adversely impact governments and legitimate business persons as well.

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