

**DRAFT Tomb/state excise tax brochure DRAFT**

**Cigarette taxes harm all (staters)**

**Some voters support a tax increase on cigarettes because they think it won't affect them. But higher taxes on tobacco products hurt everyone because they raise unemployment and crime thereby putting more strain on an already burdened state budget. Further, bad public policy tends to reduce confidence in government and lead to more bad public policy. Higher cigarette taxes inevitably create more problems than they solve.**

- The government already taxes cigarettes more heavily than any other product -- so heavily that the tax now resembles a fine.
- Discouraging the use of legal products by "fining" one industry and members of one unpopular minority is bad public policy.
- Excise taxes are not simply high -- they're also highly regressive.
- Excise taxes are notoriously unreliable sources of revenue.
- A sharp drop in cigarette sales would mean a sharp rise in unemployment.
- High excise taxes help organized criminals get rich.

Our state faces severe fiscal pressure, partly because of the short-term thinking of the past. This is not the time to make the easy, popular decisions, but the right ones.

Raising cigarette excise taxes is viewed as politically easy, but it should not be. Here's why:

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## **Excise Taxes Are Too High Already**

In the state of \_\_\_\_\_, taxes already account for \_\_\_\_\_ percent of the price of cigarettes, or \_\_\_\_\_ dollars a carton. With the federal cigarette excise tax rising, that percentage will grow even higher. Yet the tobacco tax is already the highest of any product sold in America.

(Insert bar graph showing what % of total pack price is taxes at current and proposed tax levels)

Smokers already pay more than their fair share of taxes -- over \$13 billion last year on top of what everyone else had to pay. Smokers in \_\_\_\_\_ (state) paid over \_\_\_\_\_ dollars in state cigarette excise taxes. That money lowered the tax burden on the rest of the state.

Some say smokers "deserve" to pay higher taxes, but everyone benefits from those billions of dollars paid by a few. States can't keep going back to them every time money runs short.

Taxes should be legislators' last resort, not their first impulse.

## **The Government Should Not Confuse Health Policy with Tax Policy**

Many people support a cigarette tax hike because they disapprove of smoking and consider it a health hazard. The government can and should play a role in maintaining public health, but confiscating consumers' money is the wrong way to go about it. Suppose next year the government decides to help us reduce fat in our diets. Should we expect an excise tax on hamburgers? Will we have to pay a cheese surtax? What about a tax on apple pie? That isn't the kind of "help" most of us appreciate.

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## **Excise Taxes Fall Hardest on Those Least Able to Pay**

Cigarette excise taxes are regressive because they hit working people harder than the rich. Lower- and middle-income Americans pay a much higher percentage of their incomes in excise taxes.

The voters are demanding a fairer tax system; higher excise taxes would only make the system more unfair. The Congressional Budget Office has called cigarette excise taxes the most regressive of all.

According to Citizens for Tax Justice, cigarette taxes, as a percentage of income, take \_\_\_\_\_ times more from \_\_\_\_\_ (state) families earning under \$20,000 than they take from those making over \$200,000 a year. As unfair as that seems, some people want to make it *more* unfair. They want to raise cigarette excise taxes even higher.

(Insert regressivity chart)

The most affluent people won lavish tax breaks in the 1980s, while middle- and lower-income Americans saw their taxes go up. Government should stop asking working people to pay more than their fair share.

## **Excise Taxes Are Unreliable**

Dozens of state governments tried to solve their fiscal problems by raising cigarette taxes, and then saw revenues *fall* as the tax rates went up. The reason is that so many consumers can choose where to buy their cigarettes. When taxes go up, smokers have a new incentive to cross state lines for their purchases.

When smokers cross state lines for a carton or two of cigarettes, many of them also buy gasoline, beer, groceries and even clothing. That's why raising our state excise taxes by even \_\_\_\_\_ dollars a carton could have a serious *negative* affect on our sales and excise tax revenues.

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Excise tax revenues haven't met projections in the past, and future results are sure to be even more disappointing. If we raise our cigarette taxes to \_\_\_\_\_ dollars a carton, we'll lose our competitive advantage (or worsen our competitive disadvantage) against \_\_\_\_\_ (neighboring states) and send tens of thousands more \_\_\_\_\_ (state residents) out of state to do their shopping (or discourage tens of thousands from coming to our state to shop).

(Insert bordering states and respective taxes/savings chart)

We'll have to make up the lost revenue with more state spending cuts or higher taxes.

In fact, many other states that failed to meet cigarette tax projections are already making up their shortfalls by raising taxes *again*. Let's not fall into this trap. Let's make the hard decisions now.

### **Thousands of Jobs Rely on Cigarette Sales.**

The tobacco industry creates over \_\_\_\_\_ thousand jobs in \_\_\_\_\_ (state) amounting to approximately \$\_\_million in compensation. A major hike in excise taxes means tobacco retailers, wholesalers, suppliers and related industries will see a drop in revenues, especially if more consumers leave the state to shop (or fewer out-of-state shoppers visit our state). This will lead to the loss of approximately \_\_\_\_\_ thousand jobs -- and higher costs for the rest of us in the form of unemployment compensation, food stamps, welfare payments, and more. State social service agencies would immediately feel increased pressure as low-wage jobs are lost and the newly unemployed begin lining up to collect benefits.

### **Excise Taxes Mean Business to Criminals.**

Current differentials in excise taxes create big incentives for smuggling across state lines. Right now, one semi trailer full of cigarettes from \_\_\_\_\_ goes up in value by \_\_\_\_\_ dollars the moment it crosses into \_\_\_\_\_. An excise tax hike of \_\_\_\_\_ dollars a carton will raise that incentive to \_\_\_\_\_ dollars per truckload.

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Smuggling cigarettes across state lines is a difficult crime to detect and presents relatively few risks to criminals. Yet it costs (state) approximately million per year in lost revenues. We have to make up that lost revenue with higher taxes and fewer services.

Furthermore, sales of smuggled cigarettes cannot be regulated. There's no way to tell how many thousands of cartons are ending up in the hands of minors.

Law enforcement authorities have their hands full as it is. Let's not make their jobs harder by giving crooks a renewed incentive to engage in smuggling.

### **The Tax Code Is Not a Popularity Contest**

As smoking becomes more "politically incorrect," more people feel comfortable punishing smokers. The government, however, should resist making this prejudice a matter of public policy. We should ask people to pay taxes according to what they can afford, not according to their current disapproval rating.

Taxes are one of the prices we pay to live in a civilized society, but a truly civilized society treats all its citizens fairly.

### **(State Residents) Deserve Fair Tax Policies**

Once they consider the facts, most people understand that cigarette tax hikes do not represent good government. Excise taxes are already outrageously high. They hit working people much harder than those who can afford to pay more. Intentionally harming any business with unfair taxes sets a bad precedent. Adding to the tax burden of one over-taxed group isn't fair, even if the people in that group are unpopular.

Furthermore, excise tax revenues typically fall short of projections and lead to new rounds of tax hikes. A drop in cigarette sales will mean higher unemployment. And a rise in cigarette taxes will enhance the appeal of cigarette smuggling. All of these factors increase pressure on already strained public agencies.

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**In the final analysis, raising cigarette excise taxes is unfair, unwise and unworthy of (our state's) tradition of common sense. The voters have a right to expect more of their state legislature.**

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