



Grover G. Norquist

President

March 24, 2004

Dear legislator,

I am writing to you to urge you to vote against any of the tax increases which are currently being floated in Lansing, and which would have a devastating effect for both Michigan's economy and its people.

As you know, Gov. Granholm's budget proposal contains \$391 million in tax increases. It seeks to raise the tax on cigarettes from \$1.25 to \$2 per pack, interestingly enough justified as a both a health issue and a job creation measure. Another bill wants to raise the tax even higher than the Governor – to \$2.06 per pack, making Michigan's tobacco tax the highest in the nation.

Also under consideration is a proposal to raise the mark-up on distilled spirits from 65 to 75% to fund fire protection initiatives. The ultimate burden will have to be borne by Michigan's taxpayers. Studies suggest that if the measure passes, the sales volume of distilled spirits will decline by one million gallons and around 1,800 people in the hospitality industry will lose their jobs. By the same token, a cigarette tax hike will deal a major blow to both businesses and consumers throughout Michigan.

Apart from these excise taxes, the ideas of establishing a Michigan "death tax" independent of the federal government's, and collecting property taxes six months earlier than scheduled, have been proposed.

All these tax increase proposals, like so many others across the nation, are nothing but an attempt to expand government spending in all spheres. Not only do many of these tax increases specifically single out those taxpayers who are least capable of affording them. They send the wrong signals at the wrong time. President Bush's tax cuts at the federal level helped revive the economy and boosted the stock market by \$4 trillion. The Michigan Chamber of Commerce has made clear that 'both excise taxes and estate taxes are counterproductive to the goal of making Michigan an enticing place to live, work and play'.

As in other states, Michigan's problem is not a lack of funding, but runaway spending. Identifying unnecessary programs and limiting the growth of government would be a first step in the right direction. Other states have been able to restore fiscal sanity to their budgets short of raising taxes, among them Texas, New Hampshire, Florida, Colorado, Hawaii, Minnesota, and Massachusetts.

While this task may seem daunting, options for budget cuts are readily available. The Mackinac Center for Public Policy finds that by selling state assets, repealing the Prevailing Wage Act and competitively bidding the management of Michigan's prison system, the state could save a lot of taxpayers' money.

If other states can tighten their fiscal belt, Michigan can do it, too. I urge you to vote against any tax increase under consideration.

Americans for Tax Reform would be more than happy to send one of our economists to look over the state's books to identify budget savings and other alternatives to tax increases.

Sincerely,

Paul Proski
State Government Affairs Manager