

LEGISLATIVE ALERT

Reject HB 3567

Proponents of House Bill 3567, which calls for a 50-cent per pack cigarette tax increase to fund the expansion of healthcare programs in South Carolina, will try to tell you that this bill is “revenue neutral”, by which they mean budget neutral. But two wrongs (taxing and spending) don’t make a right.

Many legislators in South Carolina have signed the Taxpayer Protection Pledge, a commitment to “oppose and vote against any and all efforts to increase taxes”.

While Americans for Tax Reform does not support a tax increase on anyone or anything, the Taxpayer Protection Pledge wouldn’t prohibit tax changes that truly are revenue neutral, i.e., cut taxes by the same amount they are increased. “Refundable” tax credits, however, are actually spending, because by definition they distribute money to those who never paid the tax. They’ve always been considered spending. As such for the purposes of the Pledge, they cannot offset tax increases. Running spending through the tax code doesn’t change the fact that it’s spending.

Don’t let anyone fool you, a tax increase can never be offset with spending, only with true tax cuts of equal or greater size put forth in the same bill.

If these refundable tax credits are in fact included in the legislation, this bill would amount to increased spending on top of the cigarette tax increase, a proposition no pro-taxpayer lawmaker should support.

Beyond this, the idea of supporting expanded healthcare programs with a tobacco tax hike rests itself on a fallacy. According to the U.S. Department of Agriculture, tobacco use declines at a rate of 1-2% per year. Because they are a declining revenue source, higher tobacco taxes will only serve as a placeholder for additional broad based tax increases to maintain spending levels in the future.

Consequently, a vote for HB 3567, given the inclusion of so-called “refundable” tax credits, would constitute a vote against the best interests of taxpayers in South Carolina.

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