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CONTACT: John Kartch
Karri Bragg

31 JANUARY 2008

202-785-0266

Taxpayers off the Chopping Block in California

Governor withdraws ballot initiative to increase tobacco taxes

WASHINGTON, D.C. – On Wednesday, Gov. Schwarzenegger and California Assembly Speaker Fabian Nunez (D-) formally withdrew an initiative that would have required voter approval for a \$1.75 per pack tobacco tax hike. The withdrawal of the initiative follows the rejection of AB1X, the controversial universal health care plan, in the senate finance committee on Monday. The plan was to be funded by the tax increase.

Despite promising to reject all tax increases in his first years in office, Gov. Schwarzenegger sought to increase taxes to fund his lofty universal healthcare package. All but one Republican member of the California legislature has signed the Taxpayer Protection Pledge, making it impossible for tax increases to pass. In an effort to by-pass the 2/3 supermajority vote, the governor teamed up with Speaker Nunez to pass the healthcare plan in two parts: AB 1 X, the policy portion, was expected to pass through the legislature while the funding portion, the initiative calling for higher taxes on employers, hospitals and tobacco taxes, was to be placed before voters on the November ballot.

“This week, the 1-2 defeat of the entire package sends a clear message to lawmakers across the country- universal healthcare would not come without significant cost to taxpayers and is not a miracle cure-all for healthcare woes,” said Grover Norquist, president of Americans for Tax Reform. “The fact that the legislature needed to be side-stepped to pass this plan should have been a warning sign to its proponents from the start- taxpayers’ best interests are not being met if the process is anything less than transparent and open.”

The funding portion of the package would have cost taxpayers \$14.5 billion, primarily through the \$1.75 per pack tobacco tax increase. Nationwide, lawmakers continue to look to tobacco taxes to fund costly spending programs, despite the fact that the revenue source continues to decline at a rate of 1-2% per year, according to estimates by the USDA.

“The formal withdrawal of this tax hike initiative is a cause for celebration in California- taxpayers have been taken off the chopping block- for now,” continued Norquist. “In light of California’s budget troubles caused by massive state overspending, the rejection of this measure is a step in the right direction. The governor and lawmakers should refocus their energy to the real issue at hand- the need to stick up for taxpayer dollars and enact true spending reform.”

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact John Kartch at (202) 785-0266 or at jkartch@atr.org.

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