



March 30, 2009

Dear Governor Beebe,

I write you commending your signing of the grocery tax cut and asking for your veto of the Milk Tax, House Bill 1451, a bill that will drastically raise taxes on milk and other dairy products.

I want to commend you for providing tax relief to the families of Arkansas in the form of this year's 1 cent reduction in the state sales tax on groceries bringing about \$40 million in tax relief to the families of Arkansas. Right now families are making tough choices, figuring out how to put gas in the family car, food on the table, and power their homes; any tax relief is appreciated.

With the actions you have taken to cutting grocery taxes on families, signing House Bill 1451 would be counterproductive to this relief. By levying a 30-cent per hundredweight tax on dairy products at the wholesale level, this bill will raise the price of milk and dairy products for consumers at a time when families are already struggling to make ends meet.

The tax hike in HB 1451 has been inaccurately labeled as a "fee." Too often, policymakers disguise tax increases as "fees" and this is another example of such disingenuousness. An income tax is not a fee on your job. A sales tax is not a fee on the products you buy. The same holds true for a tax on dairy products, whether it is levied at the wholesale or retail level.

If the overall goal is to assist dairy farmers, enacting policies that increase the price of dairy products, thereby reducing demand, does absolutely nothing to achieve this end. In fact, it does the exact opposite. Policies to help farmers should not pit sectors of the dairy industry against one another, and ultimately make consumers and all stakeholders worse off.

Make no mistake, the burden from this tax increase will be born by Arkansas consumers, not the wholesalers that this bill impugns. The tax will most assuredly be passed on to customers in the form of higher prices. What is worse, it will be levied at a time when Arkansas families are struggling to cope with the current economic downturn.

For the reasons stated above, I urge you to veto House Bill 1451. On the heels of a tax cut on groceries, any attempt to impose a tax on specific food products is counterproductive. If you have any questions, please contact Nathan Pick, Kelly Cobb, or Patrick Gleason, state affairs managers, at (202) 785-0266.

Onward,

Grover Norquist

President

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