



AMERICANS for TAX REFORM

April 15, 2009

Florida State Senate

RE: Senate Bill 1840

Dear Members of the Florida Senate,

I write today very strongly opposed to Senate Bill 1840 and the attempt by some legislators to pass a massive tax increase on tobacco products.

Let me be very clear: this bill is an estimated \$2 billion tax increase over the next 2 fiscal years. An income tax is not a user fee on your job. A sales tax is not a user fee on purchasing products. The same holds true for an excise tax on tobacco - a tax increase is a tax increase no matter what you call it. It is simply disingenuous to describe this tax hike as a “surcharge,” a “user fee,” a “revenue enhancement,” or any other title that attempts to mask this bill’s true nature.

While it is always ill-advised to raise taxes in a recession, SB 1840 would do so on Floridians least able to afford it. On average, smokers, whose median income is a little more than \$36,000, make about 30 percent less than non-smokers. Furthermore, President Obama has already burdened smokers with a 156% hike in the federal excise tax on cigarettes. Piling on more taxes on top of this will exacerbate the economic damage of this proposal.

Raising taxes on smokers and small businesses is not only unfair; it is flat out bad public policy. Revenue from tobacco taxes is exceptionally volatile. Smokers, behaving rationally, frequently cross state lines to find cigarettes at cheaper rates. Florida’s neighboring states have an average cigarette tax of just 40-cents per pack. If this tax hike passes, Floridians will have to pay \$1.34 per pack, over triple that of their neighbors. Florida’s smuggling rate already averages 7.33% - just imagine how high the rate will soar. Additionally, tobacco taxes are a declining revenue source that prompt future tax hikes once lawmakers become reliant on the statically budgeted revenue stream.

Evidence from nearly every state that has raised tobacco taxes to solve overspending problems shows that time and time again these taxes do not raise the estimated revenue. When New Jersey raised the cigarette tax just 17.5 cents, they collected \$52 million less than they had projected and \$22 million below what they collected before the tax hike. When Maryland raised the cigarette tax \$1 in 2007, sales dropped by 25% and there was a 254% increase in cigarettes illegally crossing state lines. When Arkansas became the latest state to pass a tax hike on cigarettes in February, on the heels of the federal cigarette tax increase, the bill was estimated to bring in \$86 million. Just one month after passage the Finance and Administration Department said it would bring in \$14 million less than projected.

In the words of John Adams, “Facts are stubborn things.” I urge you to consider them when deliberating this tax increase and to find a solution to Florida’s budget crisis without raising taxes. If you have any questions, please contact Kelly Cobb or Nathan Pick, state affairs managers, at (202) 785-0266.

Onward,

Grover Norquist

CC: Governor Charlie Crist
Florida House of Representatives

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