



May 5, 2009

Dear Legislator,

I write you today to express our strong opposition to the proposed 50-cent/pack cigarette tax increase.

There is ample evidence that **tobacco products are a dubious and declining source of revenue.** Evidence from nearly every state that has unfairly targeted smokers for government revenue shows that **very few tobacco tax hikes actually meet their revenue goals.** When New Jersey raised the cigarette tax 17.5 cents in 2007 they expected to bring in an additional \$30 million. Not only did New Jersey not meet that target, the Garden State ended up with a net loss of \$22 million in total tax revenue from tobacco. Maryland doubled the cigarette tax to \$2 last year and cigarette sales dropped 25%, falling considerably short of projections.

Furthermore, President Obama recently signed into law a new 61-cent hike in the federal cigarette tax. This only exacerbates the deleterious effect that any state tobacco tax hike would have. **The new federal tobacco tax, combined with yet another tax hike on this product enjoyed by law abiding Mississippians, would result in a draconian 616% tax increase on every pack of cigarettes sold in the Magnolia State.**

The state's spending priorities should be funded through the current budget and existing resources. Raising taxes on a declining revenue sources like tobacco to fund state spending programs is a recipe for higher taxes in years to come. As tax revenues decrease and spending commitments mount, legislators will be forced to raise taxes in the coming years for additional revenue. Furthermore, when combined with the new federal cigarette tax, the revenue from an increased state cigarette tax will decline even faster than projected.

To make matters worse, **a cigarette tax hike's effect would be felt predominantly by those 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 this year with the previously mentioned 156 percent hike in the federal excise tax on cigarettes. Piling on more taxes on top of this is ill advised and adds insult to injury

Now more than ever it is critical to stand up for consumers and taxpayers in opposition to tax increases. In this economic downturn, the burden of larger government and higher taxes will only further depress economic activity. Mississippi families are cutting back their spending habits to live within reduced means. The state should do likewise. Due to this and the other aforementioned reasons, I urge you to reject any tobacco tax increase.

As you continue to weigh the state's priorities, I urge you to stand up for taxpayers and oppose all tax increases. If you have any questions, please contact ATR's State Affairs Manager, Patrick Gleason at pgleason@atr.org.

Sincerely,

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