



**AMERICANS FOR TAX REFORM**

1920 L Street, NW • Suite 200 • Washington, DC 20036  
202.785.0266 • Fax 202.785.0261

# NEWS

**WWW.ATR.ORG**

**FOR IMMEDIATE RELEASE  
24 OCTOBER 2006**

**CONTACT: Kelsey Zahourek  
Elizabeth Niles  
202-785-0266**

## **Proposition 86: California's Poison Pill**

*Cigarette tax hike would further blacken California's strained economy.*

Washington, DC—On November 7, voters in California will be faced with the decision whether or not to pass Proposition 86, which would more than triple the existing tax on packs of cigarettes. If passed, Proposition 86 would impose an additional 13 cent tax on each cigarette and would indirectly tax other tobacco products. Proposition 86 would raise the taxes on a pack of cigarettes from 87 cents to \$3.47.

The estimated revenue generated by the tax would be \$2.1 billion in 2007-2008, declining gradually thereafter. Proposition 86 calls for the revenue to provide funding to qualified hospitals for emergency services, nursing education, and health insurance to eligible children. Only 10 percent would be allocated for programs that help people to quit smoking or to programs that prevent children from starting, yet nearly 40 percent would go to hospitals, whom under the proposition, would be exempt from antitrust laws.

**“This massive tax increase won’t stop people from smoking,”** stated Grover Norquist, president of Americans for Tax Reform. **“It will only burn the already struggling California economy when consumers go to other states or to the black market to purchase affordable cigarettes.”**

Increasing the tobacco tax would hurt small businesses which often rely heavily on tobacco sales. As small businesses are the engine of job creation in the U.S., raising the tax on tobacco would destroy jobs. In addition, as Proposition 86 would raise the average cost of a pack of cigarettes to \$6.50, passage of this tax increase would drive people to illegal means of securing affordable cigarettes and other tobacco products, sparking a dangerous underground market.

**“While Proposition 86 would leave California’s small business in ashes, it would also whet the appetites of greedy hospitals, HMOs, and drug companies,”** continued Norquist, **“Tax increases won’t make Californians healthier, but would deliver a poison pill to the Golden State’s economy.”**

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](mailto:jkartch@atr.org).

###