

FOR IMMEDIATE RELEASE

CONTACT: John Kartch
Patrick Gleason
202-785-0266

9 JUNE 2010

Budget Fact of the Day: Tobacco Tax Hikes Won't Rescue Penn.'s Ailing Economy

Washington D.C. – With the state budget deadline fast approaching, some Pennsylvania legislators, along with Governor Rendell, are proposing as much as a 30% tax hike on smokeless tobacco and cigars, along with yet another tax hike on cigarettes. Americans for Tax Reform (ATR), a non-profit taxpayer advocacy group, vehemently opposes these measures.

Yesterday ATR sent a letter to members of the Pennsylvania General Assembly explaining how raising tobacco taxes would be detrimental to the state's economy and fiscal situation for the following reasons:

- Funding additional state spending with tobacco taxes would lead to future budget gaps. Of the 57 tobacco tax increases enacted by states between 2003 and 2008, only 16 of those states met initial revenue projections. Raising taxes on tobacco is nothing more than a placeholder for future tax increases on income, sales, property, and other goods and services.
- House Democrats and Gov. Rendell have floated a 30-cent per pack tax hike on cigarettes. This proposal will kill jobs and further exacerbate the state's budgetary woes by depressing income tax collections. According to the Pennsylvania State Tax Analysis Modeling Program (PA-STAMP), this tax initiative would result in 3,000 fewer private sector jobs in PA next year.

Additional points derived from the studies done by the non-profit public policy institute, the *Commonwealth Foundation*, further demonstrate the adverse consequences of raising tobacco taxes:

- The proposed tobacco tax increases would take a toll on small tobacco farms, not large international conglomerates. According to *Commonwealth Foundation* analysis of USDA data, the average tobacco farm in Pennsylvania is a mere 6.1 acres. Many of the small farms that would be adversely affected are in Amish and Mennonite communities.
- This proposal is all about more revenue for Pennsylvania's bloated state government and therefore has nothing to do with improving health. 100% of the revenue collected from the proposed tobacco tax will go to the General Fund-not for health related programs.

“The proposed tax increases on smokeless tobacco, cigarettes, and cigars would not yield economically friendly outcomes for Pennsylvania taxpayers and would do nothing to rectify the state's overspending problem,” said Grover Norquist, president of Americans for Tax Reform. **“The numbers speak for themselves. Statistical evidence clearly indicates that the state spends too much and that this form of taxation lends policymakers yet another opportunity to further misallocate taxpayer dollars, and consequently increase budget deficits. Pennsylvania taxpayers are trying to cope with the billions in higher taxes that have already been passed out of Harrisburg and Washington in just the past year. It's time for Keystone State lawmakers to do their job and actually govern rather than continue to soak already heavily burdened Pennsylvania taxpayers.”**

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

###