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The Honorable Marjorie Smith
Chairman, House Finance Committee
New Hampshire House of Representatives
Concord, New Hampshire, 03301

The Honorable Lou D'Allesandro
Chairman, Senate Finance Committee
New Hampshire State Senate
Concord, New Hampshire, 03301

Dear Representative Smith and Senator D'Allesandro,

I write strongly opposed to the cigarette tax increases embedded in the proposed amendment to Senate Bill 450. In addition to removing millions of dollars from the state's economy, tobacco taxes have a strong history of failing to raise projected revenue and are a regressive tax on lower income individuals.

While it is always ill-advised to raise taxes in a recession, this cigarette tax would do so on New Hampshire residents least able to afford it. On average, smokers have a median income of a little more than \$36,000, about 30 percent less than non-smokers.

Evidence from other states shows that tobacco taxes are a declining revenue stream, which rarely meet revenue projections. When the price of a product goes up from a tax, demand necessarily drops and takes additional tax revenue with it.

- When New Jersey raised the cigarette tax just 17.5 cents in 2007, the state collected \$52 million less than projected and \$22 million below what they raised before the tax hike.
- Washington, D.C. raised the cigarette tax by 50-cents last year, only to leave the city with a \$7.6 million drop in overall tobacco tax revenue.
- Arkansas raised the cigarette tax last February and it was estimated to raise \$86 million. Just one month later, the Department of Finance said it would raise \$14 million less than projected, and at the end of last year, the state predicted a \$10.3 million drop in revenue.
- Mississippi raised the cigarette tax 50-cents in May 2009. The hike was expected to raise \$113 million in the first year, but by August projections were already off by \$4.7 million.

These tax hikes would also cause retailers and businesses that rely on such sales to lose millions in revenue. These taxes translate into job and wage cuts, the halting of business expansions, and even a huge loss of business tax revenue for the state.

Lastly, as a declining revenue source, tobacco taxes prompt future tax hikes once state spending becomes reliant on the statically budgeted revenue. As cigarette consumption continues to decline and businesses lose revenue, overall tax collection will decline. As the revenue source shrinks, this forces spending cuts or tax increases to make up the difference and maintain budget baselines.

As New Hampshire residents file their tax returns on this tax day, the legislature should recognize that the tax burden is already too high. As you continue to weigh options to rectify New Hampshire's fiscal challenges, I urge you to oppose a tax on tobacco products for the reasons highlighted above. If you have any questions, please contact Kelly William Cobb, state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist

CC: New Hampshire House and Senate Finance Committee Members