



AMERICANS for TAX REFORM

April 22, 2009

Florida House of Representatives

RE: Budget Tax Hikes and Senate Bill 2600

Dear Members of the Florida House,

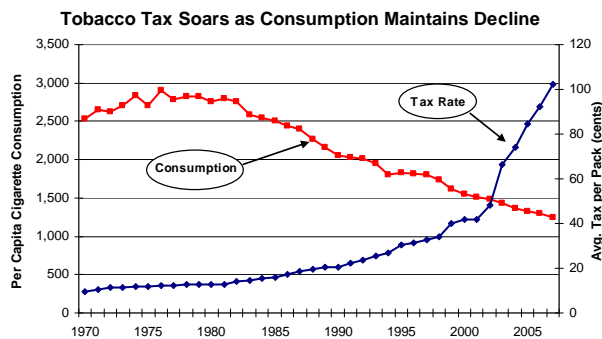
I write today to urge your continued opposition to tax increases in the Florida budget and to maintain your support for the House budget as the Conference Committee meets. While Senate Bill 2600 contains a major tax increase on low-income tobacco users, the House bill rightly avoids massive tax hikes and instead relies on cutting excess spending.

The Senate bill includes an estimated \$2 billion tax increase over the next 2 fiscal years. This tax hike not only unfairly targets smokers and small businesses, it is bad public policy that will encourage cigarette smuggling and fail to raise the estimated revenue.

While it is always ill-advised to raise taxes in a recession, the Senate's budget 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, Congress and President Obama recently burdened smokers with a 156% hike in the federal excise tax on cigarettes.

In the long term, a tobacco tax hike will leave you as lawmakers scrambling to raise taxes once again as the money from this declining revenue source shrinks – and it always does. 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 state said it would bring in \$14 million less than projected.

Tobacco tax revenues decline due to smuggling from states with lower rates as consumption continues to shrink. State excise taxes on tobacco have soared in recent years. While some claim that this has led to fewer smokers, tobacco consumption has actually declined at a fairly consistent rate



since the early 1980's. Instead, smokers are crossing state lines to find cigarettes at a lower tax rate. Cigarette smuggling combined with decreased consumption leads to lower tax revenue for the state. 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%. If the Senate bill passes, just imagine how high the rate will soar.

Simply put, the House budget got it right and the Senate budget got it dead wrong. I urge you to hold strong against attempts by some in the Senate to raise taxes. If you have any questions, please contact Kelly Cobb or Nathan Pick, state affairs managers, at (202) 785-0266.

Onward,

Grover Norquist

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

www.atr.org