



May 14, 2009

Dear Members of the Louisiana Legislature,

We are contacting you today to express our strong opposition House Bill 889, legislation that would impose a substantial tax increase on tobacco products sold in Louisiana.

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.

Exacerbating the deleterious effect that HB 889 would have, President Obama recently signed into law a new 61-cent hike in the federal cigarette tax. HB 889 would cause Louisiana tobacco consumers to see taxes to rise 50% on cigars, 50% on smokeless tobacco and the price of a pack of cigarettes rise by 50 cents per pack – a whopping 138% tax increase.

Raising taxes on a declining revenue sources like tobacco to fund new state spending programs is a recipe for higher taxes in years to come. As tax revenues decrease and new 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 tobacco tax will decline even faster than projected. The state's spending priorities should be funded through the current budget and existing resources.

To make matters worse, the impact of HB 889 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, as previously mentioned, President Obama has already burdened smokers with a 156% hike in the federal excise tax on cigarettes. Piling 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 will only further depress economic activity. Louisiana 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 oppose HB 889.

As you continue to weigh options to address spending 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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