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## Arkansas Gov. Beebe Proposes \$88 Million Tax Hike on Cigarettes and Tobacco Products

*Tax Hike Will Fail to Raise Revenue for Promised Spending; Increase Smuggling*

Washington, D.C. – In his State of the State address this week, Arkansas Gov. Mike Beebe (D) proposed increasing the cigarette tax by 56-cents to \$1.15 per pack. The proposal also calls for raising the tax on smokeless tobacco products.

Under the Arkansas Constitution, the tax hike would require a three-fourths majority vote in each chamber before becoming law. The proposal is also a violation of the Taxpayer Protection Pledge, which six Arkansas lawmakers have taken to oppose any and all tax increases.

If passed, the governor estimates the tax hike will cost consumers and taxpayers \$87.8 million, which he plans to spend on state healthcare programs. However, Gov. Beebe's attempt to raise tobacco taxes will likely do little to bring in more revenue. For example, when New Jersey raised the cigarette tax last year by 17.5 cents, far below Gov. Beebe's proposal, the state actually lost \$22 million in tax revenue from cigarette sales. During his State of the State address, Gov. Beebe even acknowledged that "tobacco taxes are a dwindling revenue stream."

"Time and time again tax hikes on cigarettes and tobacco products result in lower than anticipated revenue collection," said Grover Norquist, president of Americans for Tax Reform. "If Governor Beebe promises millions in new spending, knowing full well that taxing cigarette consumers will not raise enough money, he will come right back to the legislature and ask them to raise taxes again. This tax hike is just a recipe for future tax hikes."

Gov. Beebe's proposal would also push Arkansas's cigarette tax well beyond the rate in bordering states, which collectively average 63-cents. After Maryland raised the tobacco tax last year, the state saw a 254% increase in illegal cross-border cigarette smuggling from consumers who purchased products in neighboring states with lower tax rates. This also resulted in a 25% drop in cigarette sales and a subsequent decline in tobacco tax revenue.

"Raising the cigarette tax beyond that of every bordering state essentially amounts to the Governor telling consumers to pay their taxes elsewhere," added Norquist. "That is certainly not the way for the governor to fund his costly new big-government programs."

*Americans for Tax Reform (ATR) 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](mailto:jkartch@atr.org).*

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