



# AMERICANS *for* TAX REFORM

Grover G. Norquist  
President

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Utah Governor Jon Huntsman  
Utah House of Representatives  
Utah State Senate

Dear Governor Huntsman and Members of the Utah Legislature,

As Utah faces budgetary challenges, it is critical now more than ever to oppose attempts to increase taxes. Yet, recently Governor Huntsman proposed raising the cigarette tax from \$0.70 to \$3.00 per pack – a \$2.30 increase. In the face of a slowing economy, tax hikes will hit hardworking Utah families and consumers the hardest and further diminish the state's economic growth.

Governor Huntsman's proposal would give Utah consumers the highest cigarette tax in the country. The tax hike would be partially offset by eliminating the grocery tax, currently set at 1.75%. However, the cigarette tax is expected to raise \$150 million, far above the estimated \$75 million revenue cut from the grocery tax. While cutting the grocery tax will help families who are struggling in these economically tough times, the Governor's proposal is a tax increase on consumers and a violation of the Taxpayer Protection Pledge. Fourteen Utah lawmakers have taken the Pledge to oppose any and all tax increases, unless the tax hike is accompanied by a tax cut of an equal amount to make it revenue neutral.

Evidence from nearly every other state that has raised the tobacco tax proves that this tax hike will do little to address Utah's \$345 million overspending problem. When New Jersey raised the cigarette tax just 17.5-cents last year, the state actually *lost* \$22 million in tax revenue from cigarette sales. Additionally, after raising the tobacco tax in Maryland to cover a budget projection shortfall, in-state cigarette sales plummeted 25% from consumers who drove to surrounding states with lower tax rates. During the first half of last year, Maryland recorded a 254% increase in illegal cross-border cigarette smuggling. Gov. Huntsman's proposed cigarette tax is a staggering \$2.04 per pack over the neighboring state average of \$0.96.

Tobacco tax hikes serve as a placeholder for future tax increases. The predictable decline in revenue from this consumer tax will provide incentive for lawmakers who are reliant on the revenue stream to further increase other taxes in the future.

It is critical to revitalize the Utah economy with tax cuts and less spending - not tax increases. We must lift the burden of larger government from the backs of hardworking taxpayers and consumers, instead of further depressing economic activity. As you continue to weigh options to rectify the state's overspending problem, I urge you to stand up for taxpayers and oppose all tax increases. If you have any questions, please contact Kelly Cobb or Nathan Pick, state affairs managers, at (202) 785-0266.

Onward,

Grover Norquist