



AMERICANS
for TAX REFORM

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LEGISLATIVE ALERT

Vote NO on HB 1204

In times of economic uncertainty, it is critical now more than ever to oppose tax increases on consumers and businesses. Yet, House Bill 1204 would raise the tax on cigarettes by 56-cents per pack – an \$88 million per year tax hike.

House Bill 1204 would push Arkansas's cigarette tax to \$1.15 per pack, well beyond neighboring states, which collectively average 63-cents. In acknowledging that the tax rate will cause many consumers to cross state lines to find tobacco at cheaper rates, the bill requires retailers near bordering states to charge the neighboring state's tax rate. However, this provision worsens the problem by creating artificial borders within Arkansas and unfairly making some in-state tobacco retailers more competitive than others.

Furthermore, last week Congress passed a new hike in the federal cigarette tax. Combined with the new federal tobacco tax, HB 1204 would cause Arkansas smokers to see their cigarette tax rise by 119% within a month!

Revenue from tobacco taxes is a quickly declining revenue source that rarely meets its revenue goals. Only 28% of cigarette tax hikes between 2003 and 2007 met their revenue projections in the first year. In fact, the last time Arkansas raised the cigarette tax by only 25-cents, revenue in the first year alone was \$6 million below projections. Raising taxes on a declining revenue source like tobacco to fund new state spending programs is a recipe for higher taxes in years to come.

It is critical to stand up for consumers and businesses in opposition to tax increases. In this economic downturn, House Bill 1204 will only serve to hit consumers and businesses alike, further depressing economic activity.

Reject Higher Taxes!

Vote NO on House Bill 1204