



AMERICANS for TAX REFORM

April 23, 2009

The Honorable Linda Lingle
Governor, State of Hawaii
Executive Chambers, State Capitol
Honolulu, Hawaii 96813

RE: Veto of House Bill 1175 and House Bill 895

Dear Governor Lingle,

I write to urge your veto of House Bill 1175 and House Bill 895, which will increase the cigarette and tobacco taxes respectively. These tax hikes recently passed by the Hawaii legislature are taxes on lower income individuals that will do little to raise revenue.

Support of any of these tax hikes is a violation of your Taxpayer Protection Pledge, a commitment you made to the people of Hawaii to oppose and veto any and all tax increases.

Cigarette taxes have been raised 6 times over the last 7 years in Hawaii. Continuing on this onerous trend, the legislature recently passed House Bill 1175 that would hike the state cigarette tax from \$2 per pack to \$3 per pack. Additionally, House Bill 895 raises the tax on other tobacco products from 40% to a whopping 70%.

While it is always ill-advised to raise taxes in a recession, these bills would do so on Hawaiians 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% increase in the federal cigarette tax.

Additionally, evidence from other states proves that cigarette taxes are a declining revenue stream. 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 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 Finance and Administration Department said it would bring in \$14 million less than projected.

Furthermore, as a declining revenue source, tobacco taxes prompt future tax hikes once lawmakers become reliant on the statically budgeted revenue. Consumption has been declining steadily since the 1980s, while state tobacco taxes have soared in recent years. Decreased consumption will lead to lower tax revenue for the state and increasing tobacco taxes does more to perpetuate this problem than to bring in more money. As the revenue source shrinks, lawmakers will look to other tax increases to make up the difference.

As a Taxpayer Protection Pledge signer and for the reasons above, I urge you to veto House Bill 1175 and House Bill 895. If you have any questions, please contact Kelly Cobb, state affairs manager, 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

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