



# AMERICANS *for* TAX REFORM

May 5, 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,

**In order to uphold your Taxpayer Protection Pledge, I urge your veto of House Bill 1175 and House Bill 895, which will raise targeted taxes on tobacco consumers.**

**The pledge you made to Hawaiians is to oppose and veto any and all tax increases.** We are very pleased you have indicated your intent to veto most of the tax hikes recently passed by the legislature. However, not vetoing HB 1175 or HB 895 would be a violation of your Pledge.

**These bills are tax hikes that unfairly and disproportionately target low-income smokers and small businesses in Hawaii.** On average, smokers have a median income of a little more than \$36,000 about 30 percent less than non-smokers. Furthermore, small retail outlets rely strongly on tobacco products for income, such as convenience stores where cigarettes make up 33 percent of sales.

**Additionally, evidence from nearly every state shows that time and time again these taxes do not raise the estimated revenue.** 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 Maryland raised the cigarette tax \$1, in 2007 sales dropped by 25%. 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 state said it would bring in \$14 million less than projected.

**As such, HB 1175 and HB 895 will prompt future tax hikes by Hawaii lawmakers who will become reliant on this declining revenue source.** Cigarette taxes have been raised 6 times in the last 7 years in Hawaii – a staggering number. Consistently raising taxes will result in decreased consumption and lower tax revenue for the state.

**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 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

[www.atr.org](http://www.atr.org)