



May 21, 2009

Illinois House of Representatives

Dear Members of the Illinois Legislature,

**I write in strong opposition to the amendment to House Bill 255 that would dramatically raise taxes on alcohol beverages, soft drinks, and candy.** These bills will likely do little to raise the estimated hundreds of millions of dollars in new revenue, but will hit retailers and the hospitality industry the hardest.

Under the proposed amendment, the tax on distilled spirits would rise by 90% to a staggering \$8.55 per gallon. Similarly, the tax on wine would rise by 90% and the tax on beer by 25%. Additionally, the amendment would restructure the tax code to raise taxes on soft drinks and candy.

**These tax hikes will almost certainly result in lower tax revenue for the state as consumption naturally declines.** Just this week, Kentucky announced that after applying the state's 6% sales tax to alcohol beverages earlier this year, total tax revenue dropped by over \$1.7 million and was 55% below last year's revenue at this time. Similarly, tax revenue from wine consumption in Kentucky dropped by more than \$75,000. Furthermore, the last time the federal government raised the distilled spirits excise tax, it took 11 years to bring in more revenue.

**This tax increase will result in increased smuggling of alcohol products across state lines.** Illinois already has alcohol beverage taxes nearly double that of all neighboring states – even without the tax hike. This proposed tax increase will push the tax on distilled spirits to nearly 4 times that of Illinois's neighbors and will result in significant smuggling across the borders – harming tax revenue and retailers alike.

**If Illinois needs to raise money for capital infrastructure improvements, it should undertake privatization projects similar to that employed by the City of Chicago and the neighboring state of Indiana.** In 2005, Chicago leased the Chicago Skyway landing the city \$1.8 billion in new funding and allowing them to pay off debt and use the money for other operating costs. Similarly, in 2006, the Indiana Toll Road was leased for an upfront payment of \$3.8 billion. Privatization projects would invest in infrastructure, create jobs, promote economic growth, and bring billions into the state's coffers, all while avoiding unnecessary tax increases.

**I urge you to stand up for taxpayers, small businesses, and consumers to oppose these distortionary and excessive tax increases in House Bill 255.** If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist

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