



# AMERICANS *for* TAX REFORM

June 17, 2009

New Jersey State Assembly  
New Jersey State Senate

Dear Members of the New Jersey Legislature,

**I write urging your opposition to higher taxes on cigarettes and alcohol included in the budget.** These tax hikes will likely fail to raise the estimated millions in higher tax revenue, but they will certainly hurt consumers, retailers, and the hospitality industry throughout New Jersey during a recession.

**The last time the cigarette tax was raised in New Jersey, the state collected \$52 million less than projected and \$22 million below what they collected before the tax hike.**

Embodied in SB2012/AB4103, the proposed 12.5-cent per pack cigarette tax increase shows just how clearly New Jersey has failed to learn from history. As demand declines from higher prices and increased smuggling across state borders, cigarettes become a declining and exceptionally volatile revenue source. Additionally, the vanishing tobacco tax revenue prompts future tax hikes when policymakers become reliant on the statically budgeted, but declining revenue stream – and this budget proposal is a case in point.

**Furthermore, cigarette taxes are taxes on low income individuals.** On average, smokers have a median income of a little more than \$36,000, about 30 percent less than non-smokers. This hike will come as smokers were hit with a 156% hike in the federal excise tax on cigarettes earlier this year. Piling more taxes on top of this adds insult to injury.

**As proposed in SB2013/AB4104, a massive 25% tax hike on distilled spirits and wine would similarly result in declining sales.** The last time the alcohol tax was raised at the federal level, it took over a decade to bring in any additional revenue. Yet, lower sales simultaneously affect a huge hospitality and retail industry consisting of over 23,000 restaurants and tens of thousands of New Jersey stores that sell alcohol beverages. When consumption drops, employers will be forced to cut back jobs, wages, or business expansion.

Americans for Tax Reform and the Center for Fiscal Accountability have calculated that a staggering 86.7% of the amount consumers pay for cigarettes goes toward state and federal taxes and fees. Additionally, consumers already spend 79.6% of the cost of distilled spirits paying for government.

**The estimated \$40.5 million in alcohol and cigarette tax hikes contained in this budget package fails entirely to account for certain drops in consumption and the larger impact these taxes will have on consumers and businesses throughout the Garden State.** As you continue to weigh options to rectify the state's overspending problem, I urge you to oppose all tax increases, including those above. If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist

CC: Governor Jon Corzine

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