

FOR IMMEDIATE RELEASE

CONTACT: John Kartch
Kelly Cobb
202-785-0266

6 AUGUST 2009

Taxpayer Group Slams Gov. Granholm's Tax Hike Proposals

Raising the Cigarette and Beer Tax will Disproportionately Affect Low-Income Michiganders

WASHINGTON, D.C. – Americans for Tax Reform (ATR) today condemned Michigan Gov. Jennifer Granholm (D) for proposing hikes in both the state cigarette and beer tax. The tax hike would be used to partially cover Michigan's projected \$2.7 billion overspending problem.

While the governor and special interest groups claim the additional revenue is needed to balance the budget and maintain services for the poor, ATR contends that low-income residents will predominantly pay for these higher taxes. Gov. Granholm's proposal would double the beer tax to 3.8-cents per bottle and raise the cigarette tax by 12.5 percent. Tobacco consumers have a median income of a little more than \$36,000, which is 30 percent less than non-smokers.

"The supposed rationale for raising taxes on smokers and beer drinkers in Michigan is completely backwards," said Grover Norquist, president of Americans for Tax Reform. **"The proposed tax increases will disproportionately hit the poor – the very people these tax hikers say they are trying to help. How is taking more money out of the pockets of Michigan's low-income residents to cover up a multi-billion dollar overspending problem going to help anyone?"**

ATR also criticized calls from policymakers who have floated a graduated income tax. In Michigan, 81 percent of Michigan business establishments are small businesses and well over two-thirds of these small businesses pay taxes under the personal income tax. Small businesses would thus be subject to the higher graduated tax structure.

"Michigan's flat income tax is the state's one saving grace. Switching to a progressive, graduated income tax will result in more small business closures, more jobs lost in the state with the highest unemployment rate, and an even larger number of people leaving Michigan for better opportunities elsewhere," added Norquist. **"Between higher taxes on tobacco and alcohol, and calls for making the income tax even less friendly than it already is, Michigan policymakers are cooking up a dire recipe for disaster."**