



AMERICANS for TAX REFORM

Alabama State Legislature

July 28, 2015

Dear Legislator,

I write today in opposition to Governor Bentley's proposal to raise taxes by hundreds of millions of dollars. Eliminating state income tax deductions and raising cigarette and vapor taxes will hurt both small businesses and low-income consumers in Alabama.

Raising the cost of tobacco products with higher taxes will unnecessarily punish the poor, without guarantees that these consumers will quit smoking. Smokers often minimize the impact of tax increases, like the 25 cent per pack tax increase proposed by the Governor, by switching to lower price discount cigarettes, smoking fewer cigarettes more intensively, and seeking out low-or untaxed cigarettes.

Targeted excise taxes have proven to be unstable sources of revenue, and ultimately can cause a reduction in tax receipts. Of the 32 state tobacco tax increases that went into effect between 2009 and 2013, only three met or exceeded revenue projects. A reduction in tax receipts is a common occurrence amongst cities and states that attempt to discourage consumption and generate tax revenue with higher tobacco product costs.

The Governor has also proposed raising taxes on electronic cigarettes and vapor products by 300 percent with a new \$.25 per mL of vapor and e-liquid tax. Taking aim at e-cigarettes works at cross-purposes with efforts to cut down on the harm associated with smoking. **A number of studies have shown that e-cigarettes stand to improve health and prevent disease.** By choosing to "vape" e-cigarettes instead of smoking traditional tobacco, consumers get their nicotine fix without the combustion and smoke, which are responsible for many of the negative health effects of tobacco cigarettes.

With e-cigarettes, the free market has provided a solution to a problem that social engineers have not been able to address through stiff government regulations. **The imposition of tax hikes on innovative products that reduce smoking and people's dependence on tobacco cigarettes is misguided and will impede proven harm reduction methods.** It will also kill jobs and discourage poor Alabamans from making the switch from cigarettes to tobacco-free alternatives.

Combining and reforming Alabama's Education and General Fund budgets should be a bigger priority than efforts to raise taxes. As one of only three states with two separate budgets, combining the two would allow for appropriate adjustments to all annual priorities in good years and in bad.

Between 1999 and 2009, Alabama overspent beyond the rate of inflation and population growth by 21 percent. **Tax hikes should be ruled out because Alabama doesn't have a revenue problem; it has an earmarking and spending problem.** As such, I would urge you to reject the Governor's attempts to raise taxes, especially on those who can least afford it.

If you have any questions about ATR's position on this issue, please contact state affairs manager Paul Blair at 202-785-0266 or by email at pblair@atr.org.

Onward,

Grover Norquist
President, Americans for Tax Reform

Cc: Governor Robert Bentley

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