AMERICANS for TAX REFORM

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New Jersey General Assembly
New Jersey Senate

Dear Legislator,

I write today in opposition to two budget recommendations that would raise taxes on New Jersey residents by a projected $63 million annually.

The first misguided budget recommendation is to tax vapor products like e-cigarettes and e-liquid on the same basis as traditional cigarettes, which are currently taxed at $2.70 per pack. **Small businesses like convenience stores and especially brick and mortar vape shops will be hardest hit by this $35 million tax increase.** This is particularly troubling in a time of tepid economic growth and in light of the 20 new and higher federal taxes that have been imposed by Congress in the last few years.

Raising taxes on consumers will significantly decrease in-state sales, resulting in increased cross-border tax leakage. In recent years, as much as 40% of all cigarettes smoked in New Jersey were smuggled into the state illegally – the highest percentage of any state in the nation – resulting in a loss of more than $500 million in uncollected tax revenue each year. **By making New Jersey uncompetitive in e-cigarette pricing, the state would encourage smuggling, which will cost New Jersey small businesses tens of thousands of dollars in lost revenue.**

As is the case with traditional tobacco taxes, e-cigarette taxes will prove to be an extremely volatile source of revenue and it is unwise for New Jersey to increase its reliance on them, especially at the risk of also encouraging consumers to return to traditional tobacco cigarettes.

The second budget proposal imposes $28 million in new taxes annually on sales of purchases made by New Jersey residents through out-of-state online retailers. **Similar to the federal Marketplace Fairness Act, this proposal is a violation of the U.S. Constitution, which provides that Congress shall regulate interstate commerce, not the states.** Making small businesses the tax collector for the state will burden them with compliance requirements that will ultimately increase costs for New Jersey consumers.

Claiming new tax authority beyond the state boundaries also puts the state on a slippery slope. Imagine if small businesses in New Jersey were subjected to the over 9,000 tax jurisdictions in every other state that collected sales taxes on in-state residents. This would create a regulatory nightmare and crush businesses that weren't as fortunate as companies like Amazon, which has a team of corporate lawyers to do its state lobbying and tax compliance.

Neither proposal is about tax law fairness; they are clearly cash grabs aimed at raising tens of millions of dollars. It makes little sense to further increase the burden of the state government on consumers and small businesses living in a state with one of the worst tax climates in the country. ATR looks forward to educating voters about where their legislator stands on these important issues.

If you have any questions about ATR's position on these issues, 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 Chris Christie