

Cigarettes Are an Unstable and Declining Tax Revenue Source

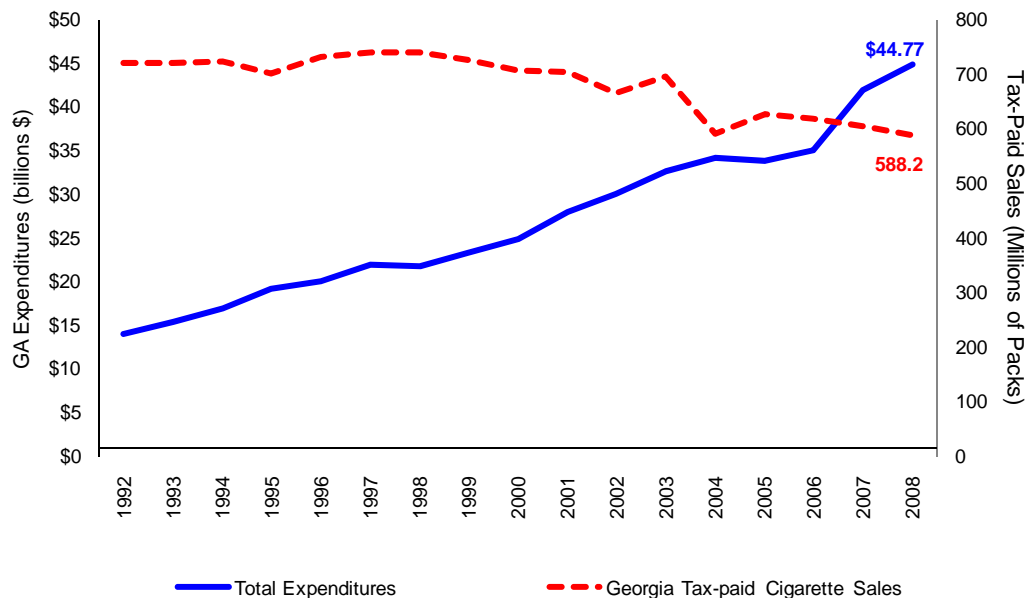
Cigarettes as a Revenue Base Continue to Decline

Total state tax-paid cigarette sales in the United States have declined by an average of 3.2% per year from 2000-2009.¹ In FY2009, tax-paid sales declined by 4.3%. In Georgia, tax-paid cigarettes sales have declined 2.4% per year on average over the past 10 years.² If this trend continues, the amount of revenue raised from the proposed tax increase will be less and less in the future.

Government Expenditures Continue to Increase

Funding needs for Georgia continue to grow. Overall expenditures have grown an average 7.6% per year over the same time period.³ Relying on a declining revenue base to fund important government programs is akin to “sticking your head in the sand.” The fact that long-term funding needs still exist has simply been overlooked.

Declining Cigarette Tax Base Compared to Growing Expenditures in Georgia



According to the National Conference of State Legislatures, "cigarette taxes are not a stable source of revenue."⁴ If Georgia relies on a cigarette excise tax to fund important government programs, it will create long-term funding revenue shortfalls that will have to be paid for with other budget revenues or tax increases.

¹ Bill Orzechowski & Rob Walker, *The Tax Burden on Tobacco*, vol. 44 (forthcoming February 2010); funded in part by Altria Client Services Inc.

² Bill Orzechowski & Rob Walker, *The Tax Burden on Tobacco*, vol. 44 (forthcoming February 2010); funded in part by Altria Client Services Inc.

³ Data is from *Federal, State and Local Governments: State Government Tax Collections*, U.S. CENSUS BUREAU, at <http://www.census.gov/govs/www/statetax.html>.

⁴ *Tax Policy Handbook for State Legislators*, NATIONAL CONFERENCE OF STATE LEGISLATURES, (April 2003).

