

**Remarks to Special Council on Tax Reform and Fairness for Georgians
August 26, 2010**

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On behalf of the Georgia Public Health Association**

My name is Scott Maxwell and I represent the Georgia Public Health Association. You may wonder what interest public health advocates have in tax policy.

Allow me to explain . . . Georgia's public health professionals view as their patient -- the State of Georgia. That is, the entire population -- which includes our workforce. GPHA recognizes that tobacco use is a major health problem. In short, cigarettes make our patient sick.

So here's the connection . . . **higher tobacco taxes reduce consumption, especially among youth**. Even the tobacco companies admit this fact. An R.J. Reynolds memo stated, "If prices were 10% higher, the 12-17 (year old) incidence would be 11.9% lower."

Now keep that in mind when you hear this . . . **Ninety percent of those smoking today started before they were 19**. So, reduce youth smoking through taxation and you've reduced smoking rates for a lifetime. The result? Our patient -- which includes Georgia's workforce -- will be much healthier.

Much has been said about the need for this Council to review existing tax exemptions. My argument is that tobacco currently receives a **significant tax exemption** in Georgia and should be included in that basket for reform.

Here's why. At 37 cents per pack, our tax is so low that we could raise it one dollar and *STILL* be below the national average. Compared to the rest of the nation, **we're giving tobacco a partial tax exemption!**

Second, Medicaid is spending \$319 million more annually on smoking-caused illnesses than the state collects in cigarette taxes. **We are giving tobacco a tax break over what smoking costs the state!** And these figures do not include what we spend on the State Health Benefit Plan or the University System Plan, where almost three-quarters of an employee's premium is taxpayer-funded.

These are sound, logical reasons for the Council to consider tobacco among those items currently receiving a tax exemption. Not a complete exemption, but certainly a **major exemption**.

You are serving on the Council for Tax Reform and FAIRNESS for Georgians.

The Georgia Medicaid program spends \$534 million on smoking-caused illness. We collect only about \$218 million in cigarette taxes. That means that **\$319 million in cigarette taxes are really paid by the rest of us**. Does that sound **fair**? And why do we do this? ***So Georgia's teenagers can buy some of the cheapest cigarettes in the nation!***

Consequently, we're not really talking about **raising** a tax. The issue is, do we continue to tax everyone for tobacco-caused illness, or do we make it more of a **user's fee**?

GPHA supports raising the cigarette excise tax by a buck a pack. If we did, Georgia's rate would still rank 25th among states -- dead in the middle. **That sounds fair.**

Only three states have a lower excise tax on cigarettes. In the past five years all of our neighboring states except Alabama have raised their cigarette taxes. **Fair enough** then, if we do, too.

By reducing consumption we can reduce what Georgia pays out for smoking-related health care. But can we even calculate the **increased revenues** that would result from a reduced smoking rate?

Certainly there would be fewer cigarette breaks and fewer days missed from work due to smoking-related illness. And, consequently, businesses, small and large, would realize **greater productivity** (and perhaps lower insurance premiums). Doesn't that mean they will end up with higher profits, thus **growing state revenues**? Won't individuals work more hours and days at the **nursery, construction site, or small business**, thus earning more money and enhancing **state income and sales tax returns**?

There are many statistics and arguments favoring an increase in the tobacco excise tax. For the public health community, Georgia's bottom-of-the-barrel tobacco tax is foremost a health issue. But for this Council, I think it qualifies as both **a tax exemption issue . . . and a fairness issue.**

If we remove the tax exemption for tobacco -- in fairness to all Georgians who are currently picking up the slack -- then at a dollar more per pack, we will **generate at least \$350 million** and **relieve some of the stress on other revenue sources.**

Thank you.