



**An Open Letter to the Special Council on Tax Reform and Fairness for Georgians:
Tobacco Tax Hikes Are Anything but Fair!**

Dear Council Member,

On behalf of the National Taxpayers Union's 8,300 members in Georgia, I urge you to reject the proposed \$1 per pack cigarette tax increase and an increase in excise taxes on smokeless tobacco. Although proponents claim tobacco tax hikes are a "win" for Georgia taxpayers, the reality is that these punitive schemes rarely, if ever, produce the promised revenue and are burdensome to small businesses and the poor.

New Jersey reported a \$52 million shortfall in tobacco tax revenues after it raised its cigarette tax by 17.5 cents. Despite boosting its cigarette tax by 50 cents last year, the District of Columbia reported that it collected \$15 million less than expected, and \$7.6 million less than it collected *prior to the tax hike*. Other states, including Arkansas, Maryland, Mississippi, and Rhode Island, have also reported gaps in revenue collections following tobacco tax hikes.

Tobacco products account for about a third of sales in convenience stores nationwide, according to the National Association of Convenience Stores. A higher tobacco tax would add to the cost of the products, jeopardizing the cash flow of these establishments within Georgia. Customers may make purchases in neighboring jurisdictions with lower taxes or turn to "bootleg" tobacco items, as has happened in other states. Moreover, since the poor are more likely to smoke, they disproportionately feel the impact of an increase in the tobacco tax. If enacted, this tax hike would cost a person who smokes a pack a day an additional \$500 in taxes per year – a 270 percent tax increase. Raising a tax that threatens to curtail commercial activity (thereby shrinking the revenue base) and heavily burdens the poor makes no economic sense.

Rather than increasing a regressive tax, the Council should stay true to its mission of finding ways to make Georgia's tax code simpler, fairer, and more competitive. By doing so, Georgia will be more tax-friendly to businesses and individuals, and will have a more stable tax base. Therefore, I urge you to reject any tobacco tax hikes as part of your final recommendations.

Sincerely,

John Stephenson
State Government Affairs Manager