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## CA Budget Fact Day: Cigarette Tax Hike Won't Save CA

Washington D.C. - This week, the California Senate Committee on Revenue and Taxation will consider Senate Bill 600, legislation that would increase the state's excise tax on each pack of cigarettes by \$1.50. Americans for Tax Reform (ATR) opposes the proposed cigarette tax hike. Cigarette tax increases rarely meet revenue projections and are a recipe for broader future tax increases.

Today ATR, a non-profit taxpayer advocacy group, released the following points of contention regarding SB 600:

If SB 600 is enacted -

- The state cigarette excise tax will rise by \$1.50 per pack – a whopping 185% increase.
- Another \$1.2 billion will be confiscated from Californians' pockets during a recession and after the legislature already enacted the largest tax increase in state history earlier this year.
- The effect of SB 600 would be felt predominantly by those least able to afford it. On average, smokers, whose median income is a little more than \$36,000, make about 30 percent less than non-smokers.
- Some rural California counties have a median income of less than \$10,000 – pack a day smokers in these counties would see 16.5% of their yearly income go to state and federal taxes.
- President Obama has already burdened smokers with a 156% hike in the federal excise tax on cigarettes. Piling more taxes on top of this is ill advised and adds insult to injury.
- The statewide average price per pack would rise from \$5.38 to \$7.28, providing significant incentive for consumers to look for cheaper cigarettes in bordering states, online, and through the sophisticated black market operations that already exist.

**“Tobacco taxes will do nothing to rectify the state’s fiscal crisis,”** said Grover Norquist, president of Americans for Tax Reform. **“There is ample evidence that taxes on tobacco products are a declining source of revenue. Many states have tried – and failed – to reach revenue goals through tobacco tax hikes.”**

When New Jersey raised the cigarette tax 17.5 cents in 2007, state legislators projected an additional \$30 million in revenue. Rather than meeting their target, the Garden State experienced a \$22 million decline in total tobacco tax revenue.

**“Sacramento can learn something from Trenton – that raising taxes on a declining revenue source like tobacco to fund new spending – or to fund a depleted general fund – is a recipe for other tax increases in years to come,”** added Norquist. **“As tax revenues decline and new spending commitments mount, legislators will be forced to seek additional revenue through further increases. When combined with the new federal excise tax on cigarettes, the revenue from an increased state tobacco tax will decline even more rapidly than projected. California should carefully weigh spending priorities and fund them through existing revenue and resources.”**