



February 24, 2005

An Open Letter to the Legislature: Oppose Governor Blagojevich's Proposed Cigarette Tax Hike

Dear Legislator:

On behalf of the more than 13,700 members of the National Taxpayers Union (NTU) in Illinois, I urge you to oppose Governor Blagojevich's proposal to raise the tobacco tax by 75 cents per pack on cigarettes, which represents a steep 76.5 percent tax hike on smokers. This proposal would give Illinois the highest state-level cigarette tax rate (\$1.16 per pack) of its neighbors and would force some Chicago-area smokers to pay as much as \$3.05 in taxes per pack of cigarettes. Such punitive taxes could lead to increased smuggling and consumers shifting their purchases to the Internet.

Shortly after September 11, 2001, several public officials admitted that some of the money raised by cigarette smugglers is directly passed on to terrorist organizations. By raising its tobacco taxes so aggressively, Illinois will only be encouraging cross-border shopping (which means lower-than-expected revenues) and smuggling. This will generate illegal activity and result in lost revenues for the state.

Even if smuggling were not a problem, higher taxes only lead to bigger government. Whether or not an individual actually uses tobacco, tax hikes hurt everyone by slowing the economy and encouraging government growth. It is time for Illinois politicians to stop forcing taxpayers to shoulder heavier burdens for irresponsible spending in Springfield.

Tobacco users are easy targets for those looking to score political points by punishing activities they deem "unpopular," but tobacco taxes are highly regressive and disproportionately harm working class Illinoisans. According to Congress's Joint Committee on Taxation, more than 2/3 of all federal tobacco taxes come from those earning less than \$40,000 per year (a pattern that also applies to state-level tobacco taxes).

NTU and its members will be closely following this issue as it develops. Please feel free to contact us for additional information.

Sincerely,

Paul J. Gessing
Director of Government Affairs