



February 13, 2006

An Open Letter to the New York State Assembly: Stop Unfair Tobacco Tax Increases

Dear Legislator:

On behalf of the more than 22,700 members of the National Taxpayers Union in New York, I urge you to reject the tobacco tax increases now under consideration. Governor George Pataki's plan to raise the cigarette excise tax by at least 50 cents per pack – a steep 16 percent tax hike on smokers – is yet another slap in the face for New York taxpayers. Although tobacco smokers are a relatively small portion of the state population, gouging them will do nothing to resolve New York's real problem: economic stagnation brought about by a heavy tax burden.

New York City's tax on cigarettes is already the highest in the nation, and Governor Pataki's original \$110.6 billion state budget submission called for increasing the state tobacco tax by \$1 per pack to \$2.50, while cutting New York City's additional tobacco tax by \$1, to a rate of \$.50 per pack. The City would receive \$78 million annually from Albany for expected losses. As if increasing taxes on New York residents across the state was not enough, Governor Pataki recently amended his budget to raise the total tobacco tax New York City's residents pay to \$3.50 per pack, making the tax-inclusive price for a pack of cigarettes almost \$8 – double the national average.

Should this added punitive tax increase become reality, it will only further encourage cross-border shopping in states where tobacco tax rates are a mere fraction of those levied in New York. One report estimated that half of the cigarettes consumed in New York City already elude the reach of state and city tax authorities due to a thriving black market. Increasing the tobacco tax will only make illicit trade, and the crime and corruption that often accompany such activity, more likely.

Elected officials in New York have raised taxes on tobacco in the past to make up for budget gaps, but tobacco users should not be used as a crutch for politicians who are unwilling to restrain spending. Perhaps the most troubling aspect of this plan is that the amended budget will reimburse New York City \$78 million annually (the amount thought to be lost from a one-dollar decrease in the city tax) even though the City will only be cutting its own tax by half a dollar. This "gift" to New York City politicians reeks of taxpayer abuse.

The revenue raised from this tax increase is intended to go toward public health education, but as we have seen in the past, tobacco money is often siphoned off into non-health spending projects. Tobacco users will be forced to pay a severe tax with little or no return for their "forced donation."

Tobacco taxes are highly regressive, disproportionately harm working class New Yorkers, and could prove detrimental to small grocers who rely on income from tobacco sales to stay afloat. Whether or not an individual uses tobacco, tax hikes hurt everyone by slowing the economy and encouraging government growth. I urge you to stop Governor Pataki's misguided efforts to punish New York taxpayers.

Sincerely,

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Government Affairs Manager