



March 7, 2007

## Mississippi Taxpayers Want Real Cuts, Not Swaps

Dear Senator:

On behalf of the more than 2,700 members of the National Taxpayers Union in Mississippi, I urge caution in moving forward with a proposed “swap” to raise tobacco tax rates while lowering the state’s sales tax on groceries. Although our members are excited about the idea of lowering taxes on foodstuffs, they question the wisdom of targeting another group of taxpayers to offset the “cost” of this cut. If the real intent behind this legislation is to lower the cost of food for families, we suggest that the state decrease spending to facilitate the grocery tax reduction. However, if the real purpose driving this legislation forward is a desire to punish a politically unpopular group (smokers) through higher taxes, we urge you to devote your attention to more worthy causes.

Unfortunately, some advocacy organizations seek to use the tax code as a vehicle for advancing social policies that they can’t achieve through straightforward legislative means. Tobacco tax hikes are a perfect example of this practice: anti-smoker forces are unable to outlaw smoking (for good reasons), so they try to put cigarettes out of the reach of those at the lowest end of the economic spectrum by artificially raising the product’s cost. However, this behavior is not without consequences, as it would make Mississippi’s tax burden more regressive and unevenly distributed.

Another unfortunate outcome of this tax swap proposal would be the state government’s increasing reliance on excise taxes extracted from the very product whose use among residents it supposedly hopes to extinguish. If the consumption of cigarettes falls enough over the long term, revenue intake levels could also fall. Unless the state is willing to cut future spending, it will need to raise taxes elsewhere. This leads many residents to wonder what out-of-favor activity will be targeted next.

Yet another concern to consider is the lack of reliable information available to determine (with reasonable accuracy) how the proposed tax swap would affect the overall amount of revenues. As Forest Thigpen of the Mississippi Center for Public Policy has noted, “no one knows how much tax is collected on groceries, because the Tax Commission doesn’t keep up with that.” There are varying opinions on whether an 82 cent-per-pack increase in cigarette taxes would raise as much as or more money than taxpayers would keep if the grocery sales tax were cut. Firm data on the net revenue effect is important for taxpayers and budgeters alike to help determine the proposal’s merit, but we don’t have access to this information yet.

Given these unanswered concerns and uncertainties, our members ask that you hold off on moving forward with a tax swap.

Sincerely,

Kristina Rasmussen  
Senior Government Affairs Manager