



May 5, 2009

The Honorable Haley Barbour
P.O. Box 139
Jackson, MS 39205

Dear Gov. Barbour,

On behalf of the taxpayers and small business owners of Mississippi, we urge you to veto the proposed 50-cent-per-pack increase in the state cigarette tax. This proposal is the exact opposite of what Mississippi needs in the midst of a painful recession. The cigarette tax is among the most regressive of all levies, and increasing it in this economic climate would hammer the state's poor. It would also leave Mississippi with a higher per-pack rate than all but one of its neighbors. Your veto of this extortionate proposal would send a clear pro-taxpayer message to the Legislature.

A tax hike on cigarettes is bad economic policy in general, but this 50-cent increase will have especially negative consequences for Mississippi. Currently, the state enjoys a significant tax advantage over its neighbors, whose cigarette tax burdens are at least twice as heavy as that of the Magnolia State. This legislation will give Mississippi a higher rate than every border state other than Arkansas, crippling retailers as consumers cross state lines for lower prices. That spells trouble for an already sluggish economy.

Small business owners won't be the only ones adversely impacted by this recessionary tax increase. It will be felt disproportionately by Mississippi's poor families, as those earning less than the state's median income are more likely to smoke. Taxes also consume a higher percentage of their income. With a federal cigarette tax increase having recently taken effect, the legislation headed to your desk constitutes a double-whammy for Mississippi's low-income families. Furthermore, as the combined federal-state cigarette levy climbs and consumption decreases, Mississippi will be fighting with Washington over a dwindling pot of revenues. That's why policymakers should focus on government spending restraint to keep the state's fiscal condition healthy over the long term.

This tax hike will have negative implications that ripple through the entire economy. Now is not the time to raise any taxes, especially the excise on cigarettes. Mississippi needs to put itself in a position to attract business, not repel it. For these and the other reasons we have outlined, taxpayers are counting on you to protect them from the Legislature's latest tax scheme.

Sincerely,

Joshua Culling
State Government Affairs Manager
National Taxpayers Union

Howie Morgan
Executive Director
Mississippi Forward

CC: House, Senate