



May 28, 2009

An Open Letter to the Vermont General Assembly: Cigarette Taxes Are No Way Out of the Budget Hole!

Dear Legislator:

On behalf of the taxpayers and small business owners of Vermont, over 1,000 of whom belong to the National Taxpayers Union (NTU), I urge you to oppose any increase in the cigarette tax. As our 360,000 members in other states can attest, such a proposal is the exact opposite of what Vermont needs in the midst of a painful recession. The Legislature's 25-cent-per-pack tax increase and Gov. Douglas' 45-cent-per-pack hike are rife with unintended consequences. The cigarette tax is among the most regressive of all levies, and increasing it in this economic climate would hammer the state's poor. Your rejection of these extortionate proposals would send a clear pro-taxpayer message to the citizens of your state.

A tax hike on cigarettes is bad economic policy in general, but these 25-cent and 45-cent increases would be especially detrimental to Vermont. These specific tax increases would erode much of Vermont's price advantage over neighbors New York and Massachusetts, while exacerbating its disadvantage when compared with New Hampshire. This is an example of oppressive tax policy's adverse effect on the retail community, 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 Vermont's poor families, as those earning less than the state's median income are more likely to smoke. Such taxes also consume a higher percentage of their income. With a federal cigarette tax increase having recently taken effect, the plans on the table constitute a one-two punch on Vermont's low-income families. Furthermore, as the combined federal-state cigarette levy climbs and consumption decreases, Vermont 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, particularly the excise on cigarettes. Vermont 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 these latest tax schemes.

Sincerely,

Joshua Culling
State Government Affairs Manager

cc: Gov. James Douglas