



March 23, 2010

The Honorable Gary R. Herbert
Governor of the State of Utah
Utah State Capitol Complex
350 North State Street, Suite 200
P.O. Box 142220
Salt Lake City, Utah 84114-2220

Dear Governor Herbert:

On behalf of the National Taxpayers Union's nearly 3,300 members in Utah, I urge you to stand by your laudable recommendation of enacting a budget without any tax hikes and to veto the \$1 per pack tax increase on cigarettes that the Legislature recently passed. While some see tobacco products like cigarettes, cigars, and moist snuff as easy targets for taxation, the reality is that these punitive hikes are burdensome to small businesses and the poor and rarely, if ever, produce the promised revenue.

This tax increase proposal is the exact opposite of what Utahns need in the midst of a painful recession. The cigarette tax is among the most regressive of all levies, and increasing it from 69.5 cents to \$1.70 in this economic climate would hammer individuals and businesses alike. If you veto this misguided proposal, you would send a clear message to the Legislature and to taxpayers that the best way to solve Utah's budget woes is to trim spending, rather than to boost taxes.

If enacted, this tax increase would put Utah's cigarette tax rate well above the national average of \$1.34 per pack. Additionally, it would place Utah's convenience stores at a considerable competitive disadvantage as their products would be more expensive than all other neighboring states besides Arizona. **Proponents of the tax increase may argue that a higher levy on tobacco will raise \$45.5 million for the state over the next two years (a figure that is likely inflated to begin with). However, what is left out of this scenario is the \$58 million in new costs that Utah's business community will face because of the tax hike.** At a time when Utah's unemployment rate is at an alarming level, a job-killing tax increase on small businesses makes zero economic sense.

This recessionary tax increase will impact far more than the small business community. Since those earning less than the state's median income are more likely to smoke, Utah's poor families will disproportionately feel the pinch of this tax. With a federal cigarette tax increase already having taken effect, the legislation headed to your desk would amount to a one-two punch on Utah's low-income families. Furthermore, as the combined federal-state cigarette levy climbs and consumption decreases, Utah will be faced with a dwindling pot of revenues. That's all the more reason why policymakers should instead focus on spending restraint and tax reform to keep the state's fiscal condition healthy over the long term.

Now is especially not the time to raise taxes, including those on tobacco products. Taxpayers are counting on you to continue to oppose tax increases and do what's right for Utah by vetoing the \$1 per pack tax increase on cigarettes.

Sincerely,

John Stephenson
State Government Affairs Manager