



May 20, 2010

**An Open Letter to the Rhode Island General Assembly:  
Don't Add to the Heavy Tax Burden; Oppose a Soft Drink Tax!**

Dear Legislator:

On behalf of the National Taxpayers Union's more than 1,100 members in Rhode Island, I urge you to reject H. 7386/S. 2199, which would impose a five-cent tax on soft drinks and a ten-cent tax on such beverages over 20 ounces. A soft drink tax will hurt the state's families (especially those with lower incomes) and small businesses by adding to their already substantial tax burdens. Instead, Rhode Island's government must recognize that years of bloated spending cannot be maintained, and that broad tax reform is needed to create jobs and grow the economy.

Since lower-income families tend to consume soft drinks more, the tax increase aimed at this product will hit the poor hardest. The proposed tax would combine with existing state and local sales taxes to considerably increase the price charged on soft drinks. For example, if H. 7386/S. 2199 is approved, a child who buys a soda for \$1 would pay a total of 13 cents in taxes alone. In the midst of this recession, poor families can ill-afford higher costs for their groceries. Also, the proposed tax hikes will negatively affect convenience stores, restaurants, and other small businesses, as beverages comprise a significant portion of their sales. The price differentials of their products compared to those offered in neighboring states might even lead to more cross-border shopping, or fewer purchases by those passing through the state.

Additional taxes are not the solution to Rhode Island's fiscal problems. The state already has one of the country's harshest tax climates. The top rates of both the personal and corporate income taxes rank among the 10 highest in the nation. As a result, businesses and jobs continue to flee the state in search of more hospitable environs. To stem the population and revenue losses, Rhode Island needs to reduce government spending to a more manageable level and overhaul its tax code. By holding the line on spending, Rhode Island's government can continue to deliver services without running up massive deficits. Systemic tax reform will ease the burden on individuals and businesses, making the state a more attractive place in which to live and work.

A tax hike on soft drinks would only add to the pain of everyday Rhode Islanders, who already have to contend with a crippling tax system. Therefore, I urge you to oppose H. 7386/S. 2199 if they are considered.

Sincerely,

John Stephenson  
State Government Affairs Manager