



April 12, 2010

The Honorable Mark Sanford
Office of the Governor
P.O. Box 12267
Columbia, SC 29211

Dear Governor Sanford:

On behalf of the National Taxpayers Union's nearly 4,400 members in South Carolina, I urge you to consider your laudable previous opposition to a cigarette tax increase, and to veto the 50 cent-per-pack tax increase on cigarettes that the State Senate recently passed.

A tax increase on cigarettes is not what South Carolinians need in the midst of a painful recession. Raising the tax from seven to 57 cents in this economic climate would hammer individuals and businesses alike, especially the poor and small businesses. Your veto of this misguided proposal would send a clear message to the Legislature and taxpayers that the best way to solve South Carolina's budget woes is to trim spending and reform, rather than raise, taxes.

While some see cigarettes as easy targets for taxation, the reality is that tobacco tax hikes are very burdensome to small businesses and the poor and they rarely, if ever, produce the promised revenue. Currently, South Carolina has the lowest cigarette tax rate in the nation. But if enacted, this tax increase would suddenly put South Carolina's convenience stores at a competitive disadvantage as their cigarettes will cost more than those sold in neighboring North Carolina. When South Carolina's unemployment rate stands at nearly 13 percent, a job-killing tax increase on small businesses makes no economic sense.

This recessionary tax increase will impact far more than the small business community. Since the poor are more likely to smoke, South Carolina's low-income families, especially those who live along the depressed Interstate 95 Corridor, will disproportionately feel the pinch of this tax. With a federal cigarette tax increase already having taken effect, the legislation passed by the Senate would amount to a one-two punch on South Carolina's worst-off citizens. Furthermore, as the combined federal-state cigarette levy climbs and consumption decreases, South Carolina 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 not the time to raise taxes, including those on tobacco products. Taxpayers are counting on you to continue to do what's right for South Carolina by vetoing the 50 cent-per-pack tax increase on cigarettes.

Sincerely,

John Stephenson
State Government Affairs Manager