



1 February 2012

Massachusetts Senate
Massachusetts House of Representatives

Dear Legislator,

I write you today regarding Gov. Patrick's proposed budget. A particularly misguided aspect of the governor's executive budget is the bevy of lifestyle tax increases that will adversely impact the state's economy, hurt small businesses and, frankly, serve as an unnecessary annoyance that Bay State residents will remember as they head to the voting booths later this year. Two of the most egregious examples are the excise tax hikes called for on cigarettes and other tobacco products – Gov. Patrick's proposal would increase taxes on cigarettes in Massachusetts by \$.50, bringing the tax rate to an astounding \$3.01 per pack *and* apply the heightened cigarette tax rate to all other tobacco products, costing taxpayers \$72.9 million next year.

Excise taxes have repeatedly been proven ineffective and bad policy that kills jobs and drives business across state lines. Jobs are at a premium amid this tepid economic recovery, yet Gov. Patrick's proposed tax increases are sure to reduce the job-creating capacity of small business owners across the Commonwealth by forcing commerce across state lines. It should be noted that taxes on cigarettes in neighboring Vermont and New Hampshire are considerably lower than the proposed rate. Gov. Patrick should look to South Carolina, Washington, D.C., and Chicago's recent experiences with cigarette excise tax increases. These cautionary tales demonstrate that consumers are not deterred by a short drive if onerous lifestyle taxes are lower in a nearby state as evidenced by Massachusetts' own Sen. Rodrigues who made news for crossing state lines to buy alcohol in New Hampshire.

South Carolina added \$.57 to each pack of cigarettes in July 2010. Despite the rate increase, records show a decline in cigarette tax revenue in South Carolina since that time, while neighboring states saw growth. Neighboring Georgia saw a net increase in cigarette sales of nearly 1.3 million packs in the six months after South Carolina raised its excise tax rate. Washington, D.C. raised its cigarette tax by \$.50 in 2009 only to see an 11 percent net decline in cigarette tax revenue as consumers flocked to neighboring states with a low tax rate on cigarettes like Virginia. When Cook County, which encompasses the city of Chicago, increased its cigarette tax by \$1 in 2006, Chicagoans flocked to neighboring Indiana to make their purchases. Following that tax hike, The Huffington Post reported a team of University of Illinois-Chicago researchers collected a sample of discarded cigarette packs. According to their study, 75 percent of the discarded packs came from outside Cook County. Massachusetts, given its geography, can expect similarly dubious results if lawmakers on Beacon Hill elect to raise tobacco taxes.

Gov. Patrick is trying to sell this tax hike under the auspices of a tobacco use mitigation initiative. Yet, scientific research shows that Gov. Patrick's tobacco tax increases could be detrimental to public health. By taxing other tobacco products (OTP) at the same increased rate as cigarettes, Gov. Patrick is perpetuating the egregious misconception that use of smokeless tobacco is as harmful as smoking. A 2011 analysis of data from the International Tobacco Control four-country survey shows that more than 85 percent of U.S. smokers do not believe there is less risk associated with smokeless tobacco than cigarettes. In actuality, risks associated with the use of smokeless tobacco are significantly lower than cigarettes. The anti-smoking campaign brands nicotine the culprit, when the most significant risk associated with smoking is the smoke inhaled. The aforementioned ITC study shows that only about half of smokers correctly reported that nicotine is not the chemical in cigarettes that causes cancer. Nicotine is addictive, but it poses no serious health risks. Thus, the use of smokeless tobacco is proven to be a safer alternative to smoking. Smokeless tobacco has similar nicotine

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

www.atr.org



AMERICANS *for* TAX REFORM

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

www.atr.org

levels as cigarettes, but is 98 percent safer – smokeless tobacco poses no risk for emphysema, lung cancer, or heart disease. Though there is still a risk for mouth cancer, it is significantly lower than smoking. A study by the American College of Physicians shows the overall mortality among snus users, a form of smokeless tobacco, was the same as nonusers of tobacco.

A study by Brad Rodu, Professor of Medicine at the University of Louisville, demonstrates that the use of smokeless tobacco is as an effective substitute for cigarettes, yielding tobacco harm reduction. Sweden, the only country to meet the World Health Organization's 2000 target for reducing smoking to less than 20 percent, saw a significant decrease in smoking as the use of smokeless tobacco increased according to the study conducted on white males. Rodu also saw a corollary decrease in smoking attributable diseases.

Though using other low risk forms of tobacco could help smokers quit and lower overall healthcare costs, Gov. Patrick's budget ignores the science and raises the cost of products that are proven to be safer alternatives to smoking. Adult smokers need to know the truth so they can make informed decisions about their health. The false claims used by Gov. Patrick and proponents of higher taxes on smokeless tobacco only perpetuate scientific falsehoods and serve to keep the public misinformed.

As you work through the budget process, I encourage you to focus on cutting the fat in government, rather than trying to control the personal choices of your constituents through misguided lifestyle taxes. I know it irritates some lawmakers when ATR says that the government has a spending problem and not a revenue problem, but that statement is supported by the facts. From 1999 to 2009, the Massachusetts budget grew by 31 percent. If spending was limited to the growth in population and inflation during that period, the Massachusetts government would have spent \$44 billion less. To prevent future budget shortfalls, ATR encourages Massachusetts lawmakers to pass a spending cap in 2012 that will keep government spending in line with population and inflation. Please look to ATR as a resource on this issue. If you have any questions, please contact ATR's Patrick Gleason at 202-785-0266 or pgleason@atr.org.

Onward,

Grover G. Norquist