



April 14, 2010

Dear Legislator:

On behalf of our members and all other taxpayers in New Hampshire, we urge you to reject any cigarette tax hike as a solution to the state's budget shortfall. While some see cigarettes as easy targets for taxation, the reality is that such tax hikes are very burdensome to small businesses and the poor, and they rarely, if ever, produce the promised revenue.

A tax increase on cigarettes is not what New Hampshire residents need in the midst of a painful recession. Raising the tax 20 cents now would only further hammer the state's economy. The National Association of Convenience Stores reports that cigarettes account for about 33 percent of total sales nationwide at their establishments. If cigarette taxes rise, the retail price will increase and convenience stores in New Hampshire will lose business as residents and visitors from border states will buy less.

This recessionary tax increase will impact more than just the small business community. Since the poor are more likely to smoke, New Hampshire's low-income families, especially those who live in the depressed North Country, will disproportionately feel the pinch of this tax. With a federal cigarette tax increase already having taken effect, the 20-cent tax hike would amount to a one-two punch on New Hampshire's worst-off citizens.

Furthermore, as the combined federal-state cigarette levy climbs and consumption decreases, New Hampshire will be faced with a dwindling pot of revenues. Consider the illustrative cases of New Jersey and the District of Columbia. Since 2007, New Jersey raised its cigarette tax by 17.5 cents and the District of Columbia by 50 cents, with the expectation of collecting tens of millions in revenues. Instead, after the cigarette tax hikes were implemented New Jersey and the District of Columbia reported shortfalls of \$52 and \$7 million respectively. This example offers a great reason why policymakers should focus on other ways to resolve the deficit.

Rather than raising taxes, the best way to solve New Hampshire's budget woes and clear the path to prosperity is to trim spending and reform taxes. Closing the shortfall by paring back wasteful spending would still leave the state with a budget roughly as large as it was in 2008. Most New Hampshire residents would agree that the state was not in an unlivable condition two years ago, especially considering that the unemployment rate that year was actually a full three percentage points lower than it is today. Moreover, New Hampshire now has one of the highest property tax burdens in the nation. By reducing government spending and reforming taxes, New Hampshire can address its budget deficit while also laying the groundwork for economic growth.

Now is especially not the time to raise taxes. New Hampshire residents are counting on you to do what's right for them by opposing the 20-cent tax increase on cigarettes.

Sincerely,

Stephen Stepanek
Chairman
Granite State Taxpayers

John Stephenson
State Government Affairs Manager
National Taxpayers Union

Ed Naile
Chairman
Coalition of NH Taxpayers