

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by the Chairman Edmonds at 9:00 a.m. March 15 in Room 519-S of the Capitol.

All members were present except: Representative Howell, excused
Representative Palmer, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferee appearing before the committee:
Ron Hein, R. J. Reynolds Tobacco Company
Derek Crawford, Philip Morris Companies
Thomas M. Palace, Petroleum Marketers and Convenience Store Assn
Mike Thornburgh, Quik Trip
Karl Peterjohn, Kansas Taxpayers Network
Philip Bradley, Kansas Licensed Beverage Assn

Others attending: See attached list.

Hearing was opened on:
HB 2560 - Cigarette and tobacco products tax rate increase

Ron Hein presented testimony on behalf of R. J. Reynolds Tobacco Company in opposition to the bill (Attachment #1) and responded to questions.

Derek Crawford presented testimony on behalf of Philip Morris Companies in opposition to the bill (Attachment #2) and responded to questions.

Thomas M. Palace presented testimony on behalf of Petroleum Marketers and Convenience Association of Kansas in opposition to the bill (Attachment #3) and responded to questions.

Mike Thornburgh testified in opposition to the bill on behalf of Quiktrip Corporation. Written testimony was provided to Committee later (Attachment #4).

Karl Peterjohn presented testimony in opposition to the bill on behalf of the Kansas Taxpayers Network (Attachment #5). He responded to questions from the Committee.

Philip Bradley presented testimony in opposition to the bill on behalf of the Kansas Licensed Beverage Association (Attachment #6).

Written testimony in opposition to the bill was presented by Robert Whippo on behalf of the Kansas Lung Association (Attachment #7).

Hearing on HB 2560 was closed.

The Committee took under consideration bills on which hearings had previously been held.

Representative Osborne moved to include the provisions of HB 2510 in HB 2511. Representative L. Powell seconded and motion was adopted.

CONTINUATION SHEET

Representative Newton moved a conceptual amendment to clarify that school district contributions contemplated by **HB 2511** do not count as local effort by specific reference to the statute. Representative T. Powell seconded and motion was adopted.

Representative Wilson moved a conceptual amendment to allow a designation of where the money is to go. Representative Flora seconded. Motion was adopted.

Representative Mays moved recommend **HB 2511** favorable for passage as amended.

Representative Wilson moved a substitute motion to replace “unified district” with the words “accredited in the state of Kansas” in Line 15. Rep. Flora seconded. Motion was adopted.

Rep. Wilson moved recommend **HB 2511** favorable for passage as amended. Representative Cook seconded. Motion failed.

Rep. T. Powell moved to table **HB 2510**. Representative Sharp seconded. Motion was adopted.

Meeting adjourned at 10:30 a.m. Next scheduled meeting is March 16.

GUEST LIST

DATE March 15

NAME	REPRESENTING
GEORGE PETERSEN	NTN
KEVIN WALKER	AMERICAN HEART ASSN.
Richard Cur	KDOU
Karl Pateophin	Kansas Taxpayers Network
Julie Hein	Hein & Weil
Ron Hein	R J Reynolds
BILL YANEK	KS Assn of REALTORS
Karen France	"
Rev Jerry Spences	Guest Chaplain
Ann Dukes	DOB
Phil Bradley	KLBA
BUD BURKE	ISSUES MANAGEMENT GROUP, INC
John Pasmunen	LSM
Michelle West	Kearney Law Office

HEIN AND WEIR, CHARTERED

Attorneys at Law

5845 S.W. 29th Street, Topeka, KS 66614-2462

Telephone: (785) 273-1441

Telefax: (785) 273-9243

Ronald R. Hein

Email: rhein@hwchtd.com

Stephen P. Weir*

Email: sweir@hwchtd.com

*Admitted in Kansas & Texas

Testimony re: HB 2560
House Taxation Committee
Presented by Ronald R. Hein
on behalf of
R. J. Reynolds Tobacco Company
March 15, 2001

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for R. J. Reynolds Tobacco Company.

RJR opposes HB 2560, which would increase the Kansas cigarette tax from 24¢ to 39¢ per pack, because it would hurt consumers and retailers alike.

Kansas smokers recently had a significant price effect of the Master Settlement Agreement (MSA) between the state attorneys general and the tobacco industry. Under the MSA, Kansas will collect about \$1.6 billion over 25 years from the nations' largest cigarette manufacturers.¹ Kansas will receive about \$65 million in annual MSA payments. This is more than the amount that Kansas derives from its 24¢ per pack cigarette tax (\$50.9 million in FY 2000.)

National cigarette prices have risen by over \$1 per pack compared to prices at the end of 1997, mostly to finance these payments to the states. It is estimated that the cost of the MSA boosts the annual cost to the typical Kansas smoker by nearly \$270 per year. Moreover, Kansas' smokers are also paying an additional 10¢ per pack due to a rise in the federal excise tax on tobacco.² Since cigarettes are subject to sales tax, with the increase in price from the MSA, smokers are already paying higher sales tax each year. The 15¢ tax increase would cost the typical smoker even more in new state taxes per year.

In 1986, the Kansas cigarette tax and sales tax generated about \$70 million for the Kansas treasury. In 2001, the Kansas cigarette tax, sales tax on cigarettes and the "settlement tax" will send \$138 million to the Kansas treasury. In other words, the Kansas revenue stream from cigarettes will have increased by nearly 100% since 1986 which is considerably more than the 65% rise in the CPI or inflation over this time. This is even more remarkable given that the volume of cigarettes consumed in Kansas has fallen by 21% since 1986.

¹ Although payments are calculated over a 25-year time frame, in fact they go on for perpetuity.

² The Federal Excise Tax on tobacco rose from 24¢ per pack to 34¢ per pack on January 1, 2000.

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The new 39¢ tax would be **more than double** the existing Missouri tax (17¢), and higher than Colorado (20¢), and Oklahoma (23¢). Kansans could save money simply by crossing borders.

Cigarette purchasing patterns have changed dramatically since 1989. High-tax states have seen tax reported sales plunge, while low-tax states have seen a corresponding increase. The Tax Foundation examined this shift in a 1996 study, The Effect of Excise Tax Differentials on Smuggling and Cross Border Cigarette Sales. They discovered that tax differentials between high and low-tax states were creating substantial increases in both casual cross-border purchases and the organized smuggling of cigarettes. In a subsequent study, the Tax Foundation estimated that cross-border sales represented nearly 14% of total U.S. sales in 1997.

With low-tax Missouri, Colorado and Oklahoma on its borders, Kansas' retailers could confront a competitive challenge. Nearly 25% of Kansas' population lives in the greater Kansas City area, which borders Missouri. Kansas consumers could save as much as \$2.20/carton purchasing in Missouri, assuming their existing tax rate.

Tobacco products are sold in many types of stores including convenience stores, gas stations, supermarkets, tobacco stores, drug and proprietary stores. These sales had a gross retail value of nearly \$630 million in FY 2000. According to a 1998 study by the American Economics Group (AEG), nearly 11,000 jobs were directly and indirectly created due to such activities.

Tobacco sales have an especially magnified impact on smaller establishments. This is because cigarette sales comprise such a large share of their sales. In 2000, The National Association of Convenience Stores reported that tobacco sales in such stores accounted for nearly 30% of merchandise sales. Over 50% of all tobacco products are sold through convenience stores nationwide.

Loss in Cigarette Sales Volume – Assuming no changes in tax rates of surrounding states, it is projected that the 15¢ per pack tax increase will reduce Kansas cigarette sales by more than 5%. Cigarette volume is likely to fall by about 16 million packs in FY 2002. Most of this would be due to lost sales to low-tax states and zones.

Loss in Retail Sales - The gross retail value of lost cigarette sales would be approximately \$48 million (16 million packs evaluated at a final retail price of \$3.00 per pack). Sundry product sales, or products normally bought in conjunction with tobacco products, would fall by about \$20 million (based on past estimates of this phenomenon by Price Waterhouse).

Lost Jobs - It is estimated that more than 180 Kansas jobs could be displaced due to the tax increase (based on a 1998 study of the tobacco industry by AEG).

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According to the National Association of Convenience Stores there are 1,220 convenience stores operating in Kansas. It is estimated that the 15¢ per pack tax hike will lead to a reduction in cigarette sales and sundry sales for Kansas' convenience stores.

A recent study by the Barents Group of KPMG Peat Marwick shows that cigarette taxes are incredibly regressive, extracting a far greater percentage of income from modest wage earners compared to those with high incomes.

Barents looked at U.S. families in the bottom half of the income distribution, those earning approximately \$30,000 a year or less. While this group represents roughly 50% of all households in the country, it earns only 16% of all income generated. This group pays about 15.3% of all federal income and FICA taxes, but pays over 47% of all tobacco taxes.

Barents found that while most excise taxes are regressive, tobacco excise taxes are the most regressive of all. While the bottom half of U.S. households only reaped 16% of all income, they paid 47% of tobacco taxes, 17% of wine taxes, 30% of gas taxes, 30% of distilled spirits taxes and 34% of beer taxes. Clearly, the Kansas cigarette 15¢ tax hike will harm those with modest incomes the most.

We also oppose the indexing provision in HB 2560 which increases the tax each year by the CPI adjustment without a vote of the legislature. It seems unfair to make a selected class of taxpayers subject to such automatic increases.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

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PHILIP MORRIS

MANAGEMENT CORP.

400 TECHNECENTER DRIVE, SUITE 302, MILFORD, OH 45150 TELEPHONE (800) 554-9406

DEREK L. CRAWFORD
Regional Director,
Government Affairs

(513) 831-5510
Fax (513) 831-7219

March 15, 2001

The Honorable John Edmonds, Chairman
House Taxation Committee
Statehouse
300 SW 10th Avenue
Topeka, Kansas 66612-1504

Mr. Chairman and Members of the House Taxation Committee,
good morning. Thank you for giving me this opportunity to present my
views on the subject of the proposed cigarette tax increase in Kansas.

My name is Derek Crawford, and I am regional director of
government affairs for Philip Morris Management Corporation. Our
affiliate, Philip Morris U.S.A., makes about half of the cigarettes sold in
this country, so excise tax increases concern our customers, business
partners, employees and shareholders.

I am here today to speak on why the proposed excise tax hike
would be bad for them and for the rest of the people of Kansas, even
those who do not rely on cigarette sales for some or all of their livelihood.

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PHILIP MORRIS COMPANIES INC.

KRAFT FOODS, INC. MILLER BREWING COMPANY PHILIP MORRIS INTERNATIONAL INC. PHILIP MORRIS USA
PHILIP MORRIS CAPITAL CORPORATION PHILIP MORRIS MANAGEMENT CORP.

I submit to you, with the utmost respect, that cigarette taxes are an inappropriate mechanism to fund the important programs and funds you have in mind.

This proposal would help fund programs with increasing costs with a revenue source that has been historically declining. Since 1990, cigarette sales nationally have fallen an average of between one and two percent per year. That trend will likely continue.

If a state program is important enough to deserve funding, it's important enough to have a reliable source of revenue. If commitments are made to expand or preserve a program, and sales or excise tax hikes fail to live up to projections or hopes, future legislatures will have to increase taxes again or look for new revenue sources.

There is another revenue-related consideration. Rising taxes on cigarettes at both the state and federal levels, along with the long-term decline in the number of cigarettes sold in the United States, has substantially reduced the payments to state governments under the Master Settlement Agreement reached between the major tobacco companies and the states in 1998.

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This is due to a provision in the agreement that reduces payments to the states as overall cigarette sales fall. Based on a recent issue of State Policy Reports, volume adjustments reduced MSA payments for the year 2000 by roughly 15 percent. Additional federal or state tax increases could accelerate this decline.

Finally, we all enjoy the benefits provided by state government, such as public schools, law enforcement, roads, and so on. Asking consumers to help pay for these services seems fair enough. But I would like to suggest, in the name of fairness, that there is a limit to what informed adults should be asked to pay for the right to purchase and enjoy cigarettes in the state of Kansas.

Under a progressive tax system -- a fair tax system -- people are taxed according to their ability to pay, not according to the fact that they are politically vulnerable or in the minority, as smokers are. In my view, at least, it is unfair to single out adults who choose to smoke and force them to bear the financial burden for projects that will benefit everyone.

Thank you for your kind attention and for giving me this opportunity to speak on behalf of the people of Philip Morris U.S.A. and our many business partners, shareholders and adult consumers.

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MEMO TO: House Taxation Committee
FROM: Thomas M. Palace, Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas
DATE: March 15, 2001
RE: HB 2560 Testimony

Mr. Chairman and members of the House Taxation Committee.

My name is Tom Palace and I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA), a statewide trade association that represents over 360 independent petroleum marketers and convenience stores throughout Kansas.

I appreciate the opportunity to appear before you today in opposition to HB 2560.

Convenience store owners in Kansas who compete with bordering states will be at a tremendous competitive disadvantage if HB 2560 were to become law. It is interesting to note that although tobacco has been deemed bad, the state of Kansas and the convenience store industry have a common bond with tobacco. Both rely on the revenues from the sale of cigarettes to meet budget demands. Smokers have been hit hard over the past 3-4 years, seeing tremendous price increases largely due to the Master Settlement Agreement (MSA) between the state attorneys general and the tobacco industry. National cigarette prices have risen over \$1 per pack to finance the payment to the states. It was estimated that the annual cost to a typical Kansas smoker is nearly \$375. The MSA has impacted every smoker in every state; however, the proposed 15 cent cigarette tax increase would be almost double the Missouri tax (17 cents), and would be as much as 14 cents higher than the cigarette taxes of Colorado and Oklahoma. The increase will negatively impact every tobacco retailer on Kansas borders.

Tobacco sales and gas sales are the "bread and butter" of the convenience store industry. Consumers usually stop at a convenience store because service is quick, and the customer can be in and out of the store in under 5 minutes. Cigarette sales are an important product for convenience stores, not only because cigarette sales make up approximately 23% of gross sales, but also because these sales lead to other sales such as pop, coffee, sandwiches, etc. The increased price of cigarettes has the potential of changing peoples' buying patterns, thus reducing store revenues for all products sold in convenience stores. I have heard conservative estimates of up to a 5% reduction in tobacco sales if the tobacco tax is increased.

Over the past few years tobacco increases have been proposed in the legislature as a way to STOP people from smoking. If this is true, how can the state rely on tobacco revenue to fund new government programs? How will the money the state receives from the MSA be impacted? I would assume the state will see a reduction should tobacco sales decline. Also, Internet sales are a factor. It is a sure bet that with an increase in cigarette taxes, the consumer will be

Petroleum Marketers and Convenience Store Association of Kansas
201 NW Highway 24 • Suite 320 • PO Box 8479
Topeka, KS 66608-0479
785-233-9655 Fax: 785-354-4374

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motivated to use the Internet in ever-increasing numbers to purchase tobacco products. As a note of interest I accessed the Internet to look for sites that sell tobacco products. I found 18 sites that sell tobacco at discounted prices. I checked further into two eastern Native American tribes on the Web site and discover the following enticements:

“We have regulatory advantages that allow us to sell cigarettes at discounted prices.”

And also -

“CigaretteExpress.com does not report any sales activity to any State taxing authority and is not required to do so.”

SenecaSmokes.com -

“SenecaSmokes.com/Long Trails DOES NOT report to ANY state taxation or tobacco department.”

Clearly smokers have options when it comes to purchasing cigarettes. As I mentioned earlier, smokers who have been hit hard with price increases are accustomed to making decisions as to what brand they will buy because of the cost, and where they can find the best price. The tax increase provided in HB2 2560 will surely change buying habits once again. And it appears the surrounding states and the Internet may be the benefactors.

Mr. Chairman, I won't get into the discussion regarding how a tax increase will affect those consumers that can least afford it. The “Joe six pack” citizen. Competition in the convenience store industry is fierce. Two of the major revenue items convenience stores rely on are gas and tobacco products. Kansas is already at a competitive disadvantage on the gasoline tax with two of the four contiguous states, Missouri and Oklahoma having a lower state excise tax. Add a 30-40% price increase on cigarettes plus, along with an annual tax, not only will the retail marketers be affected, but the state will lose revenue as well.

Thank you.

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March 26, 2001

House Taxation Committee

RE: HB 2560 Testimony

Dear Mr. Chairman and Members of the House Taxation Committee:

My name is Mike Thornbrugh and I am a registered lobbyist for QuikTrip Corporation.

QuikTrip is a privately held corporation that is engaged as a gas marketer and convenience store operator. We currently own 344 stores and operate 35 stores in the Wichita area and 65 stores in the greater Kansas City area, 24 are located in Kansas.

QuikTrip is currently opposed to House Bill 2560 in its current form for the following reasons.

QuikTrip, like most companies and citizens, is generally not enthusiastic about tax increases. We find ourselves in a quandary on HB 2560. If this legislation becomes law as written, there is no question that our Kansas stores will lose business. On the other hand, our stores located in Missouri will realize higher sales, but not enough to offset the certain loss in Kansas.

In regards to the tax being linked to the CPI and an additional 5 cents federal tax, which will be in affect January 1, 2002, it is our opinion that sales will decrease in Kansas. As a former member of the Oklahoma House of Representatives and a lobbyist in nine states where QuikTrip has a working interest, I have never seen any excise tax tied to the CPI.

As a retailer with vast experience competing against sovereign nations of native Americans, I can assure you the tribes will see the state of Kansas as an excellent opportunity to expand their operations. Native American smoke shops now have at least 30 percent of tobacco sales in Oklahoma. They collect and remit 25 percent of the tax that other businesses are required by law to collect. They are immune to sales tax, property tax, licenses, etc. As a state, you have no right to audit their books.

If the debate is to find additional revenue, we hope you will give serious consideration in making Kansas a single-strength state in regard to sale of beer. Equalize the taxes and let us compete fairly. Allow us to have Sunday sales of beer.

Sincerely,

Mike Thornbrugh
Manager, Public and Government Affairs

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KANSAS TAXPAYERS NETWORK
P.O. Box 20050
Wichita, KS 67208

www2.southwind.net/~ktn
316-684-0082
Fax 316-684-7527
15 March 2001

Taxpayers Oppose HB 2560

The Kansas Taxpayers Network has regularly opposed all efforts to raise Kansas taxes. Attached to this testimony is our open letter issued earlier this year to all legislators expressing our opposition.

Kansas has a unique geography which makes are tax climate quite sensitive to our surrounding states in general and the state of Missouri in particular. The proposal before you in the form of HB 2560 is particularly bad because it would place Kansas cigarette taxes well above the rates in all of the surrounding states.

It would provide a strong incentive for tobacco users to make purchases out-of-state. This is where the problem of Kansas geography becomes a factor.

Kansas already has a substantially higher state tax rate on a number of different products than in Missouri. The state tax on food in Missouri is only 1.225 percent which is well under the Kansas rate of 4.9 percent. While there are local taxes in addition to the state levies on both sides of Stateline Road, this state rate disparity has already created a strong incentive to buy food in Missouri. Ditto for beer, hard liquor, and cigarettes.

Today, the Missouri tax on cigarettes is seven cents a pack less than Kansas. Aggravating this Kansas problem is the fact that the Indian and U.S. military base cigarette sales do not have to impose the state tax, so this already promotes tax avoidance through these outlets. Last year the 24 cent Kansas cigarette tax generated just under \$50 million. Raising this tax by 15 cents a pack, or over 62 percent will NOT result in 62 percent more cigarette tax collections by the state.

Here is how Kansas compares with our surrounding states:

<u>State</u>	<u>Cigarette Tax 20-pack</u>
Kansas (current)	.24
Kansas (proposed)	.39
Colorado	.20
Missouri	.17
Nebraska	.34
Oklahoma	.23

The automatic tax hike feature tying this levy to the consumer price index should not be enacted. There are already too many automatic tax hikes which exist in Kansas income and property tax law today. Adding another automatic tax hike provision would be a slap in the face of Kansas taxpayers. Instead of this bill, this committee should be working to eliminate these automatic state tax hikes instead of adding another automatic annual tax hike.

Harold Peterson House Taxation
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KANSAS TAXPAYERS NETWORK

web:www2.southwind.net/~ktn

P.O. Box 20050
Wichita, KS 67208

316-684-0082

FAX 316-684-7527

20 February 2001

An Open Letter to Kansas Legislators:

The volume and quantity of proposals to raise state taxes in 2001 is growing at a rate that KTN is not able to keep track of each and every proposal that has already been introduced. Kansas state taxes are already the highest in our region and there is strong opposition among taxpayers to raising taxes in this state. Kansas Taxpayers Network is adamantly opposed to any Kansas tax hike in 2001. Our supporters are solidly opposed to any and all efforts to raise Kansas taxes.

We are opposed to efforts to raise sales taxes (regardless of which of the many spending lobbies it will benefit), telephone (911) taxes, statewide property taxes, the cigarette tax, taxes on alcoholic beverages, raising hunting and fishing licenses through expanding the authorization for the license fee setting group within the Wildlife Department, higher state fees for items like an additional charge for Kansas birth certificates, as well as any other revenue expansion proposal which we have not yet detected. We are also opposed to any and all efforts to raise taxes that were reduced between 1995 and 1998. This is particularly true of efforts to raise the statewide property tax.

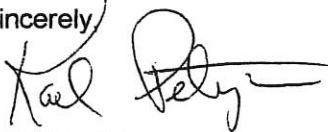
Legislators need to be aware that higher taxes are driving productive Kansans out of this state and into nearby states which are much more friendly to the private sector. That is why population growth in Kansas lagged well below the national average in the 2000 census figures. That is why Kansas has one of the highest percentages of senior citizens to the total population among all 50 states.

We are opposed to all legislation that would raise property taxes without a vote of the people. This should be held at a regularly scheduled election. Voter approval of tax hikes is current public policy in three of the four states surrounding Kansas: Missouri, Oklahoma, and Colorado.

Current Kansas property appraisal statutes and state income taxes impose automatic tax hikes on Kansans without the vote of any elected official. This is wrong.

Instead of trying to raise Kansas taxes the legislature should be working to stop these automatic tax hikes and start trying to eliminate our position as the high tax point on the prairie. The federal census department figures document Kansas' high tax position among our neighboring states. After all, despite the well publicized "revenue shortfalls," state tax collections as of the end of January, 2001 are 7.0 percent or almost \$164 million above the same period last year.

Sincerely,



Karl Peterjohn
Exec. Dir.

Date 3-15-01
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Kansas Licensed Beverage Association
17 East Eighth Street Lawrence, Kansas 66044
Voice 785.331.4282 Fax 785.842.1679 Cell 785.766.7492
www.klba.org phil@klba.org

To: House Taxation Committee

From: Philip Bradley on behalf of KLBA (Kansas Licensed Beverage Assn.)

RE: Testimony on HB-2560

Chairman and Senators of the Committee,

Thank you for allowing me to appear today. I am Philip Bradley, Director of Public Affairs for the KLBA, Kansas Licensed Beverage Assn. We are a group of small business owners who formed to educate the public and ourselves about our industry. We are in the hospitality business. Our customers come to us for service and fun. As a part of this service we offer alcoholic beverages. We advocate safe responsible consumption and are training our servers to practice these principals.

We work with the ABC to educate, train and promote compliance and responsible practices. We are one of only three server-training programs certified by the ABC in Kansas.

We represent the interests of over 3000 businesses, the men and women who as a part of their business hold a license for on premise alcohol service. We are the restaurants, hotels, clubs, bars, and caterers you frequent and enjoy.

The KLBA is in opposition to HB-2560.

This bill provides for automatic increases without any oversight or review or most importantly a vote. In 5 years it is conceivable that the raise would equal \$.50 placing it about 190% higher than the \$.17 in Missouri. This is a distinct trade disadvantage.

This is a particularly regressive tax in it's effect on modest to low-income people. In fact, according to a 1997 Peat Marwick study, the bottom 50% of U.S. households makes \$30,000 or less per year but only account for about 16% of all income earned. Yet, these same households pay nearly 50% of all state and federal cigarette taxes. Without doubt, those who can least afford the tax will be hit the hardest – again and again.

We, the hospitality industry, are already one of the most taxed and regulated businesses in our state. We generate over 76 million dollars revenue annually to the state. Unlike other businesses we must pay the tax on our "raw materials" (8%) and on our finished product (10%), both at higher rates than those paid by other businesses. **We also believe in the value of your time and therefore will keep this brief. Thank you for your time.**

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Robert A. Whippo
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State Office
4300 SW Drury Lane
Topeka, KS 66604-2419
Phone: (785) 272-9290
In State: 1-800-LUNG-USA
Fax: (785) 272-9297
www.kslung.org



March 15, 2001

House Taxation Committee
Re: HB 2560

The concept of increasing cigarette excise taxes has another benefit beyond raising additional revenue for the State. Higher prices do discourage some people from smoking, particularly youth. (See attachment)

Lowering tobacco consumption in Kansas is good for public health and will lower health care costs in the State by reducing the cause of numerous deaths and disease.

However, we suggest that you use this tool to its full extent and provide for an initially larger increase in the excise tax on cigarettes. A more significant excise tax increase will keep more kids from purchasing this gateway drug and can provide the funding so necessary for a statewide comprehensive tobacco prevention and cessation program.

On behalf of the volunteers, Board of Directors and staff
of the American Lung Association of Kansas,

A handwritten signature in black ink that reads "Robert A. Whippo".

Robert A. Whippo
President

When You Can't
Breathe,
Nothing Else
Matters®

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Please fight lung disease by remembering us in your will.

CAMPAIGN For TOBACCO-FREE Kids

PROJECTED BENEFITS FROM A KANSAS CIGARETTE TAX INCREASE

Current State Cigarette Tax: 24 Cents Per Pack (32nd among all states)
Average Price of a Pack of Cigarettes in the State: \$2.94 Youth Smoking Rate: 30.2%
Packs sold in KS in 1999: 216.2 million – producing \$51.0 million in state cigarette tax revenues.

Last Kansas Cigarette Tax Increase: October 1, 1985

- Inflation since last state cigarette tax increase: +59.9%
- Increase in average state cigarette prices since last cigarette tax increase: +205.0%
- Annual cigarette tax revenue right after last tax increase (in 2000 dollars): \$97.3 million
- Estimated 2000 state cigarette tax revenue (in 2000 dollars): \$46.7 million

Projected Benefits From Increasing State Cigarette Taxes

A state cigarette tax increase will both reduce smoking levels and increase state revenues because the increased tax per pack will bring in more revenue than is lost from the decrease in the number of packs sold. An increase of 15 cents per pack (as proposed in pending legislation) would produce the following benefits:

- Fewer packs smoked each year: 3.7 million
- Number of current adult smokers in state who would quit: 3,930
- Number of kids alive today who would not become smokers: 4,950
- Number of current adult smokers saved from smoking-caused death: 1,250
- Number of kids alive today saved from smoking-caused death: 1,580
- Additional state cigarette tax revenue: \$28.6 million per year
- Long-term healthcare savings in state from smoking reductions: \$107 million

Sources

Orzechowski & Walker, *Tax Burden on Tobacco* (2000) [annual report funded by major U.S. cigarette companies].
Economic Research Service, USDA, Tobacco Briefing Room, www.ers.usda.gov/Briefing/tobacco. Office of Prevention, Division of Kansas Social Rehabilitation Services, 2000 Kansas Communities That Care Youth Survey. Inflation data from U.S. Bureau of Labor Statistics.

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1707 L Street, NW Suite 800 · Washington, DC 20036
Phone (202) 296-5469 · Fax (202) 296-5477 · www.tobaccofreekids.org

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