



March 15, 2018

Written Opposition Testimony - HB 2231

Thank you, Mr. Chairman and members of the committee, for the opportunity to provide written testimony in opposition to HB 2231.

On behalf of Americans for Prosperity and our 50,000 activists in the state of Kansas, I urge you to vote against HB 2231, which would yet again look to raise revenue on the backs of an ever shrinking group of Kansans.

Across the nation AFP has seen time and time again proposals to raise taxes on tobacco products. This is no surprise as state budgets are often strained and politicians are looking for a way to raise funds without upsetting taxpayers. As a result, lawmakers attempt to foist this burden onto a small group of taxpayers in an effort to minimize public backlash.

Foremost, it is unfair to ask one segment of residents to pay a disproportionately higher amount of tax than their fellow citizens. But putting aside the question of fairness, the efficacy of cigarette taxes, and other sin taxes, is poor at best.

Thirty-two states that have raised cigarette taxes between 2009 and 2013, but only in three cases did the revenue generated met or exceeded expectations. The shortcomings of these types of sin taxes in generating revenues are well-known. In Chicago and Philadelphia, the recently enacted soda taxes failed to bring in the projected revenues. This is because consumers either shop outside of the taxing jurisdiction or turn to the black market.

Kansas already has a higher tax than its surrounding states and drastically increasing the cigarette taxes would simply widen this disparity. Given its relatively high tobacco taxes, it should come as no surprise that Kansas ranks 19<sup>th</sup> in the consumption of smuggled cigarettes with almost 13 percent of its cigarettes being brought in from other states. If this tax were to pass, this rate would skyrocket as the price of cigarettes in Kansas would be much higher compared to its neighbors.

This cigarette smuggling will not only have an impact on tax revenue, but more importantly it will have profoundly negative impact on small business owners. Many convenience stores are small family run operations which provide steady employment to members of the community, and a local outlet for goods. Much of their revenues often come from the sale of cigarettes. In fact, according to the National Association of Convenience stores, cigarette sales accounted for over 30 percent of overall sales. Anything pushing the sales of these products outside of the state will hurt Kansas small businesses, the people they employ, and the communities they serve.

State tax policy should strive to be reliable, flat and neutral to the revenue source. The cigarette tax fails all three of these goals as it produces unreliable revenue, is regressive, and places an unfair disadvantage on smokers. I strongly urge you to reject this proposal and any other calls to raise the cigarette tax.

Sincerely,

Jeff Glendening  
State Director  
Americans for Prosperity - KS