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GUEST COMMENTARY

Going up in smoke

Everyone, it seems, is suddenly anxious to tax cigarettes. Time and again new cigarette taxes have been put forward in proposals as, at least in part, a solution to everything from health care funding to school finance reform.

*Guest
Commentary*

**BYRON
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Of course, cigarette taxes were rejected when the state faced a \$10 billion budget gap last year. However, now proponents want the tax on smokes to rise by up to one dollar, from 41 cents per pack to \$1.41 per pack. They claim this will add \$1 billion per year to state revenue, and will provide extra money as part of a solution for the state's school finance woes.

While consumption taxes – including on the sales of cigarettes – are preferable to other taxes, any tax can be pushed too high.

The fact is that from 1992 to 2000, when the average state cigarette tax increased 64 percent, gross state cigarette tax revenues increased only 35 percent.

This means that the Comptroller's \$854 million revenue estimate from a one dollar cigarette tax increase is much more realistic than the oft-mentioned billion dollar windfall.

Some proponents of increased cigarette taxes want them in order to discourage smoking. A noble goal, but since the number of smokers is falling one to two

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percent each year, cigarette taxes are already a dwindling revenue source.

Artificially increasing prices with a higher tax would doubtlessly discourage some from picking up the habit, producing revenue uncertainty in the future – hardly a recipe for secure school funding.

Cigarette smoking really is bad for people's health, but the state should not make it more so. The tax-tobacco crowd would even tax smokeless tobacco, a much less dangerous source of nicotine. Cigarette taxes continue to generate large revenue precisely because tobacco users are addicted to nicotine.

They will pay the higher tax by sacrificing other things like nutritious foods, safer cars, or nicer homes. They are already sacrificing their health.

And because many tobacco users are on the lower end of the income scale, an increased tax falls squarely on the backs of the poor.

On the other hand, some will avoid the Texas tax altogether by ordering cigarettes from low-tax states. Texas retailers will get hurt, of course.

Even if new revenues from a higher cigarette tax were substantial, the negative effects on the state and national treasury must be taken into account.

Cigarette tax differentials among the states encourage criminal enterprise, and even help to fund terrorism through smuggling. Cracking smuggling rings is a very labor intensive and expensive law enforcement proposition. Additional expense includes the lost lives of law enforcement officers and American soldiers.

At \$1.41 per pack, Texas would have the seventh-highest cigarette tax in the nation.

Texas, we all know, is a big state. Most smokers cannot drive to neighboring states to buy low-tax cigarettes.

Smuggling enterprises will be

huge; rented trailers will hardly do. We're talking big-rigs hauling 480,000 packs per load. The smuggling profit per truck could easily run a half million dollars.

Cigarette smoking is a legal activity, but the hodgepodge of state taxes has made cigarette smuggling almost as lucrative as drug running for terrorist cells. Cigarette smuggling has already funded Hezbollah's night-vision goggles, cameras, scopes, global positioning systems and video equipment.

Some might argue that a preemptive federal tax is the way to go, but our porous national borders are no greater barrier than those of our states.

What we really need are policy-makers more anxious to protect us from overreaching government than they are to fund it at any price.

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