



‘Butt out’ of Kentucky’s business

By Jim Waters

A recent USA Today editorial accused Kentucky of having “stubbornly rejected an easy way to prevent smoking and raise revenue in a single stroke — by raising tobacco taxes.”

The editorial – “After 10 years, smoking fight calls for state gumption . . .” – was a mile wide in unnecessary government intervention and an inch deep in economic reality.

Gov. Steve Beshear proposes raising Kentucky’s tax from its current 30 cents to \$1 per pack. But it’s irresponsible to call for such a steep tax hike while the economy is tanking. This is particularly the case when the proposed tax increase would unfairly hit those least able to afford it. One in four smokers lives below the federally designated poverty line.

Further burdening taxpayers in a state with already huge individual and business tax rates smacks of Pharaoh’s edict to eliminate straw made available to the Israelite slaves charged with making bricks for Egypt’s empire. An “Egyptian Today” editorial no doubt would have praised the Pharaoh for not missing a “historic opportunity” to make life harder for the people and his empire.

The Israelites still needed to meet their quota of bricks. And tax-burdened Kentuckians still must pay bills, provide for their families and keep businesses open. And they must do so in a state where, according to the Tax Foundation, per-capita incomes remain the lowest in the nation and where taxpayers face higher state and local taxes than residents in 30 other states.

Just a 25-cent tax increase could cause cigarette sales to fall by 65 million packs and convenience stores to lose \$13,000 each in profits annually. Beshear wants to raise the tax by a whopping 70 cents, which would cause nearly 2,500 retail workers to lose jobs.

State politicians and their hyperventilating enablers in the media have been screaming about Kentucky’s budget shortfall. Meanwhile, USA Today naively believes that a tax increase under those conditions would result in more revenue for smoking-prevention programs.

The Centers for Disease Control recommends our state spend \$25 million of its \$300 million in tobacco-settlement funding on education and cessation programs. Yet last year, only \$2.5 million got spent on helping Kentuckians kick the habit.

What evidence exists that even more revenue would result in policymakers properly funding such programs? Had politicians not squandered the tobacco-settlement funds in the first place, we might have budget surpluses, less taxation and even better cessation programs.

What if Kentucky could use tobacco-settlement money for a “spending cessation” program?

Kentucky politicians want to pick on easy prey, smokers and tobacco. Instead, why don’t they focus on:

- Unaffordable state-worker pension and health benefits that have resulted in a \$30-billion crisis?
- A state prevailing-wage requirement on public construction projects that wastes more than \$130 million annually?
- Finding ways to keep the governor from adding political pals and family to the payroll when state workers face an unwanted furlough?
- Getting rid of outdated and unnecessary government agencies, such as the state treasurer’s office, which in recent years has served only to further political ambitions rather than make government work better for taxpayers?

You see? There are *plenty* of innovative ways to free up revenue without raising regressive taxes – including those on cigarettes – that rarely deliver promised revenues. Less than 20 percent of states that raise cigarette taxes receive at least the minimum amount of expected revenue. Some fall short of their goal by as much as 70 percent.

So, government-can-solve-all-problems politicians should think twice about relying on revenues from tobacco taxes to support their spending addiction. They may find out what Pharaoh did: Things don’t always turn out like you planned.

— *Jim Waters is director of policy and communications for the Bluegrass Institute for Public Policy Solutions, Kentucky’s free-market think tank (www.bipps.org).*