



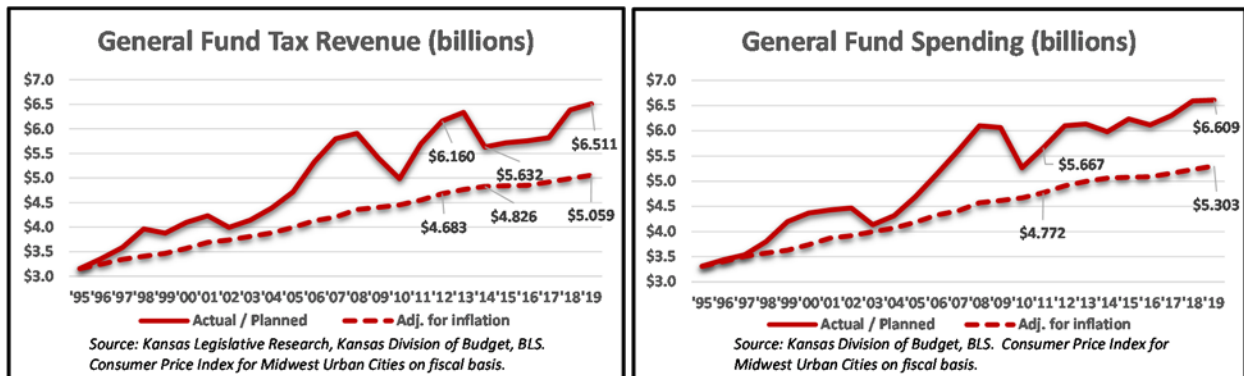
Chairperson Tyson and Members of the Committee,

We appreciate this opportunity to testify in opposition to SB 376, which increases taxes on cigarettes and other tobacco products. Our primary objections to this proposal are three-fold:

1. Kansas has a spending problem, not a revenue problem.
2. Tobacco taxes are regressive and do not result in less consumption among low-income smokers.
3. State variances in tax rates will significantly increase smuggling and harm Kansas retailers.

**Kansas has a Spending Problem, Not a Revenue Problem**

Last year the Legislature passed the largest tax increase in state history, which already has revenue projected to be \$1.5 billion above long term inflation. And even if this Legislature doesn’t authorize a dime of new spending, General Fund spending will be \$1.3 billion higher than if increased for inflation since 1995.



By the way, total state spending per-capita in 2016 was 36 percent higher than the states without an income tax; 2015 spending was 27 percent higher than those states. (Spending data comes from the National Association of State Budget Officers, excluding federal spending and bond issuance spending.)

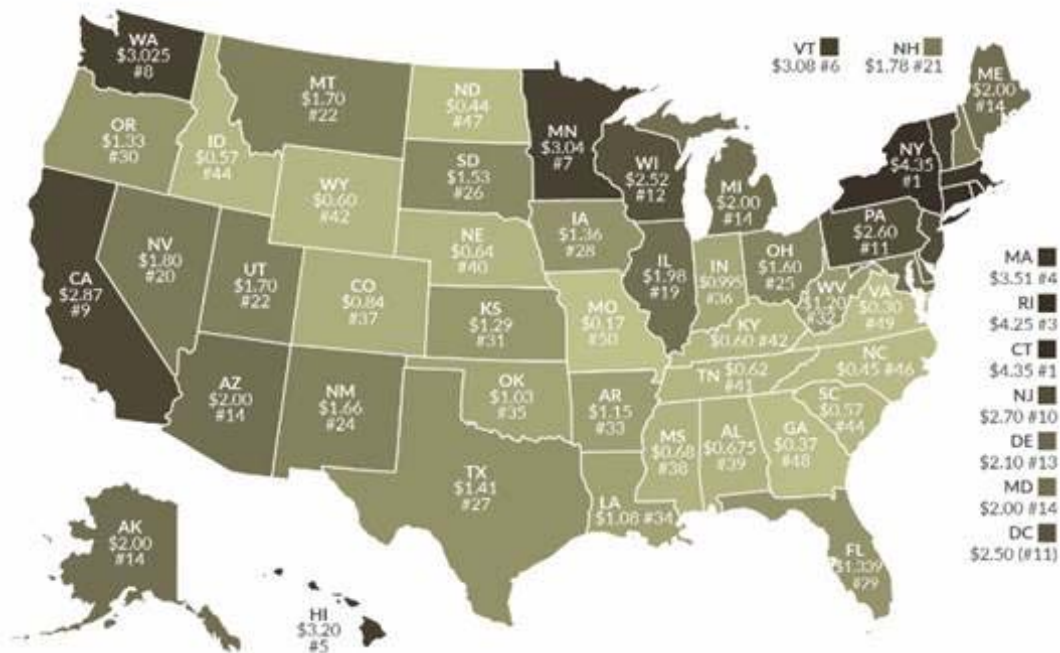
**Regressive cigarette tax doesn’t produce intended health benefits**

A study of New York state smokers found tobacco taxes do not produce the assumed health benefits for low income households. Funded by the New York State Health Department and conducted by RTI Health Solutions, the study concluded, “...those with household incomes less than \$25,000 had no statistically significant decline in smoking.”<sup>1</sup> That same study found cigarette taxes disproportionately impact low income families; nationally, low-income smokers spend 14 percent of their income on cigarettes whereas high income families spend just 2 percent.

## Higher tax rate will harm Kansas retailers

Finally, the proposed tax increase will encourage more purchases to be made across state lines. The map below from The Tax Foundation shows Kansas already has the highest cigarette tax among neighboring states. Increasing the tax to \$2.79 per pack would make a 10-pack carton \$26.20 cheaper in Missouri; smokers would save \$21.50 in Nebraska, \$19.50 in Colorado and \$17.60 per carton in Oklahoma. The proposed tax rate hikes in Kansas will certainly harm Kansas business owners, especially business owners in border counties.

State Cigarette Excise Tax Rates, 2018 (dollars per 20-pack)



For these reasons, we encourage the Committee to reject SB 376 and thank Members for your consideration.

<sup>i</sup> <https://www.rti.org/news/high-cigarette-taxes-disproportionately-burden-low-income-families>