

TUA NEWS RELEASE

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Chicago's Latest Tobacco Tax Hike Snuffed Out – For Now

Chicago—On Monday Chicago Mayor Rahm Emanuel's (D) latest package of tobacco tax hike proposals were stalled after more than three hours of testimony by supporters and opponents before the City Council Finance Committee. Challenges to the tax increases were heard from small business owners, tobacco and cigar associations, and Taxpayers United of America (TUA).

"TUA opposes any and all new taxes on cigarettes, cigars, e-vapors, and other tobacco and related products," says Jared Labell, TUA's director of operations. "Higher taxes on tobacco and similar products will simply grow the black market for illicit production and smuggling outside of the scope of the government, just as we have witnessed with the history of prohibition and government intervention in the market. These proposed tax increases are bad for businesses, consumers, and taxpayers who are tired of Nanny State bureaucrats and their incessant proclamations."

The proposals up for debate before the Chicago City Council included raising the legal age to buy tobacco products in the city to 21, a 15-cent tax per unit in small cigar packs, increasing the cost of a 20-pack of "little cigars" of various brands by \$3, and a 90-cent tax on larger individual cigars. Mayor Emanuel also wanted an additional \$1.80 tax per ounce of smokeless tobacco and a \$6.60 per-ounce tax on roll-your-own tobacco. This is all in addition to Mayor Emanuel's budget for 2016, which already includes tax increases on electronic cigarettes, plus the 50-cent per pack tax on cigarettes enacted in the 2014 budget.

"An increase in taxes on these products also presupposes that projected revenue will surge to help subsidize whatever pet project politicians claim they want to fund with these tax dollars 'for the children.' But in reality, between alternative products, changes in consumer demand, options outside Chicago's city limits, and black market activity, governments tend to see a drop in revenue when using tax policy to shape public behavior."

"Chicago's combined federal, state, and local per pack tax on cigarettes is currently \$7.17 – the highest in the United States. Proponents of higher tobacco taxes claim this is a health issue, arguing that raising taxes will reduce consumption, yet these same advocates make the case that higher taxes on tobacco and related products are necessary to generate revenue from taxpayers to fund programs – which is logic that can only come from the minds of government officials," said Labell.

"Both government intervention in trade and the manipulation of tax policy to alter the behavior of the public always have a multitude of unintended consequences, and we will see them in droves if the City Council attempts to pass these measures again."

"These politically motivated tax hikes will impact businesses, consumers, and average folks trying to make a living – and in only negative ways. Public health is indeed an important issue, but draining taxpayers of more of their hard-earned money, hurting businesses financially, and dragging down Chicago's already sluggish economy is no way to assist the public in the long-term," concluded Labell.