House Committee on Taxation
Written Testimony in Opposition to House Bill 2231
Presented by Eric Stafford, Vice President of Government Affairs

Thursday, March 15, 2018

Mister Chairman and members of the Committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber of Commerce. On behalf of the Kansas Chamber I appreciate the opportunity to provide testimony in opposition to House Bill 2231 which significantly increases taxes on tobacco products and cigarettes.
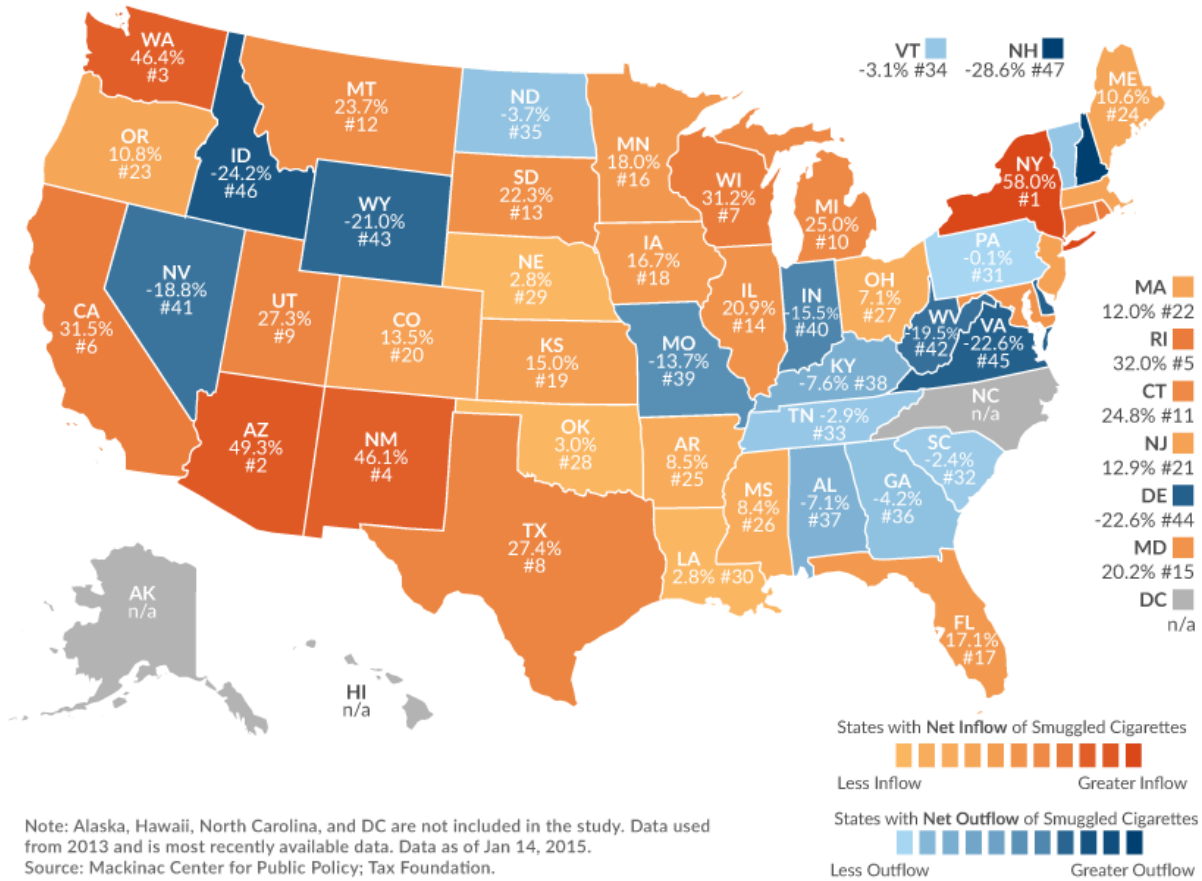
The Kansas Chamber board-approved Legislative Agenda supports reductions in taxes to encourage investment and growth, not increase in taxes to sustain and maintain an appetite for spending. On the heels of a $600 million tax increase according to last year's projections (actual numbers appear to be much higher), Kansas should not be considering any tax increases whatsoever. Discussions on finding efficiencies in government should be the focus.

Increased taxes, especially sales and excise taxes, affect behavior. Tax more, get less. Taxing cigarettes may be a way to socially engineer behavior, but that is not the expressed intent of this bill. A $90M price tag has been affixed to this proposal; for what purpose? If we are looking to have the second highest tax rate on cigarettes, then by all means pat the sponsor on the back for introducing this bill. However, we would caution you on the fallout of such a drastic measure.

Consider the Tax Foundation report, dealing with the phenomena of cigarette smuggling. It's obvious when reviewing the map below why Missouri is a net-outflow state and Kansas is a net in-flow state for smuggled cigarettes- Missouri has one of the lowest cigarette taxes in the country. Our current ranking of 19th highest smuggling state would shoot to the top with passage of this legislation. Thank you for allowing us to testify in opposition to House Bill 2231.

Cigarette Smuggling by State

Smuggled cigarettes consumed as a percentage of total cigarettes consumed, 2013

WA 46.4% #3

MT 23.7% #12

ND -3.7% #35

MN 18.0% #16

VT -3.1% #34

NH -28.6% #47

ME 10.6% #24

OR 10.8% #23

ID -24.2% #46

WY -21.0% #43

SD 22.3% #13

WI 31.2% #7

MI 25.0% #10

NY 58.0% #1

NV -18.8% #41

UT 27.3% #9

NE 2.8% #29

IA 16.7% #18

IL 20.9% #14

IN -15.5% #40

OH 7.1% #27

PA -0.1% #31

CA 31.5% #6

CO 13.5% #20

KS 15.0% #19

MO -13.7% #39

WV -19.5% #42

VA -22.6% #45

AZ 49.3% #2

NM 46.1% #4

OK 3.0% #28

AR 8.5% #25

KY -7.6% #38

TN -2.9% #33

NC n/a

SC -2.4% #32

TX 27.4% #8

MS 8.4% #26

AL -7.1% #37

GA -4.2% #36

LA 2.8% #30

FL 17.1% #17

AK n/a

HI n/a

MA 12.0% #22

RI 32.0% #5

CT 24.8% #11

NJ 12.9% #21

DE -22.6% #44

MD 20.2% #15

DC n/a

States with **Net Inflow** of Smuggled Cigarettes

Less Inflow   Greater Inflow

States with **Net Outflow** of Smuggled Cigarettes

Less Outflow   Greater Outflow

Note: Alaska, Hawaii, North Carolina, and DC are not included in the study. Data used from 2013 and is most recently available data. Data as of Jan 14, 2015.
Source: Mackinac Center for Public Policy; Tax Foundation.