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ARIZONA TAX RESEARCH ASSOCIATION

NEWS RELEASE

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ATRA OPPOSES DRAMATIC TAX INCREASE

The Arizona Tax Research Association (ATRA) Board of Directors recently voted to oppose Proposition 203 on numerous grounds. Also called the "Arizona Early Childhood Development and Health Initiative," Proposition 203 is a vehicle to dramatically increase tobacco taxes nearly 70 percent, from \$1.18 to \$1.98 on cigarettes, and commensurate amounts on other tobacco products. ATRA has consistently opposed efforts on the part of special interest groups to earmark revenue outside the state budgeting process as bad public policy. Proposition 203 grants the authority to spend an annually estimated \$150 million to an appointed board.

In addition, ATRA President Kevin McCarthy cautioned that, "This huge tax increase will have a host of negative impacts on tobacco tax collections and the current programs they fund and ATRA encourages voters to defeat Proposition 203 in November."

ATRA's analysis of Proposition 203 raises several concerns including the fact that tobacco taxes are a declining revenue source. The Center for Disease Control reports that the percentage of Arizona smokers has dropped from 23.1% in 1996 to 18.6% in 2005. Despite the state's increased population over the last 10 years, the percentage of tobacco users has not increased. For example, the population of the state grew 34% between 1996 and 2005; however, the per capita sales declined 42.3% in the same period.

The tax increase will also cause tobacco patrons to search for nontaxable sales of cigarettes and other tobacco products, primarily through the Internet, contributing even more to a decline in tobacco tax revenues.

ATRA's analysis also points out the damage Proposition 203 will do to the recipients of previous tobacco tax increases. Previous initiatives have earmarked tobacco taxes to the State General Fund, Corrections Fund, Health Care for Medically Needy, and the Health Education and Research for Tobacco Prevention. Also, the Arizona Health Care Cost Containment System (AHCCCS) depends on tobacco taxation and would experience a decline in funding.