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## **Richmond's Proposed Cigarette Tax is Bad Policy**

By Michael W. Thompson

4/11/2019 -- Last year, the Richmond City Council considered an 80 cent per pack increase in the cigarette tax. After several public hearings and careful consideration of the shortcomings of this proposal, the City Council voted it down. But like Jason in the series of Halloween movies, "he's back!"

This time the increase in the cigarette tax being considered is "only" 50 cents per pack or fully \$5.00 per carton. But the economic arguments against this year's proposed tax increase are the same as last year and such those impacted the most have not changed. Those are people making lower incomes in the City of Richmond.

The Thomas Jefferson Institute for Public Policy recently published its third annual study on the impact of cigarette tax increases on local government budgets. This study again shows, as it has in the past, that projected income from cigarette taxes is rarely collected and that in most cases a tax increase produces less and less income in future years. This tax is not one that is reliable and it is clearly a tax that hits small businesses the greatest.

The counties surrounding Richmond have not changed their cigarette taxes so they will be the big winners if the City Council adds 50 cents to a pack of cigarettes. Smokers will seek out the best prices for cigarettes and those will be found a few blocks away in Henrico or Chesterfield counties. And when a smoker walks into a convenience store to buy cigarettes, he or she will also purchase other items. Studies show that small "mom and pop" grocery stores and convenience stores are hurt the most from an increase in cigarette taxes.

When we will drive blocks out of our way to save 10 cents for a gallon of gas or about \$1.60 to fill up our gas tank, and we will drive three miles to save \$4.00 on a shirt, what makes the City Council think that smokers won't do the same to save \$5.00 on a carton of cigarettes? And the gas stations outside of Richmond will encourage customers to come to their establishments to buy less expensive tobacco products, and in the process buy gas and other things as well.

This proposed cigarette tax is not a good budget decision and will not help build the economic base in Richmond. Indeed, it will only hurt Richmond's economy.

And those individuals hurt most by this proposed tax increase are those in the lower income brackets. The Virginia Department of Health in its study titled, "Virginia Adult Tobacco Survey 2016-2017" shows that 53.1% of those who buy cigarettes make \$30,000 a year or less. And 26.1% of adults in Virginia making less than \$15,000 a year are smokers while only 10.4% of our those making more than \$50,000 use cigarettes. So the City Council is considering yet another tax that will hit our lower income neighbors the most. This just isn't right.

Cigarette sales will also be impacted by these three relatively new elements to the market place: 1) the new 21 year age limit on buying cigarettes could reduce cigarette sales by as much as 10%; 2) vaping products are becoming more popular and could impact normal cigarette sales; and finally, 3) a study that the state legislature has requested could redefine how tobacco products are taxed here in Virginia and the impact of such changes cannot be contemplated at this time. These changes in the marketplace combined with the negative experience from raising cigarette taxes by localities across the Commonwealth, this is the wrong time to impose new taxes on tobacco products.

And finally, when recent studies show that school construction in Richmond costs more than most any other area in the state, it makes more sense for the City Council and the School Board to take a look at it own operations and find the \$3.1 million in savings that the proposed 50 cent tax increases is projected to bring into the city coffers. This proposed tax increase is not a good budget decision.

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