

South Carolina Association of Taxpayers
"the voice of the taxpayer in South Carolina..."



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National Taxpayers Union
 Washington, D.C.
 www.ntu.org

Americans for Tax Reform
 Washington, D.C.
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MEMO

TO: Taxpayer Advocates in the S.C. House

FR: Don Weaver

DATE: May 12, 2009

RE: TAX INCREASES

This is a short note to reaffirm for you the importance of the proposed cigarette tax to taxpayers across our state.

1. The Senate plan to raise the cigarette tax and put the revenue into a "trust fund" for future use to match the impending Obama socialized medicine/universal health care plan is fiscally irresponsible. To raise a tax on one group of people and dedicate their hard earned dollars to a socialized health care plan that is still questionable, or to any other future government program is bad public policy. Further, the Senate plan is based on the absurd notion that *it is more important to just raise a tax regardless of how the money is spent*.
2. The House passed plan is also misguided as was clearly addressed by the SC Health and Human Services Director, Emma Forkner; and the Director of the SC Insurance Commission, Scott Richardson. Ms. Forkner had met with Medicaid officials in Washington to discuss the House insurance subsidy plan and heard clearly that the Obama administration is taking a different approach to health care than the Bush administration and that the federal waivers (upon which the House version is based), are unlikely to be available to South Carolina. Additionally, Ms. Forkner testified that Oklahoma received its' waiver based on ten years of accumulated savings in their Medicaid plan based on that plan being a managed care plan – which South Carolina does not have. She further testified that Oklahoma experienced **25% administrative costs for their insurance subsidy program**. Mr. Richardson indicated that Oklahoma built a new bureaucracy of 17 employees to administer their plan.

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Both Ms. Forkner and Mr. Richardson made it abundantly clear that, far from being a strictly private sector alternative, the House plan would require a substantial growth of government.

3. Lastly, any cigarette tax that is passed to create new government programs will fail because of the declining revenue cigarette taxes provide. In every state where programs have been started with cigarette tax revenue, other new tax increases were required to pay for the programs growth as the cigarette tax revenue sharply declined over time. The House plan claims to be "revenue neutral"; in fact, by year three of the new subsidy, either newly insured citizens will have to be thrown off the subsidy rolls or **additional revenue will be needed to maintain these current levels of spending. The House plan is not revenue neutral or budget neutral...it is an outright tax increase.** Even worse, it sets the stage for further tax increases or substantial program cuts in the next few years, just to maintain what is being promised today.

In the end, both the House and Senate plans are flawed public policy. The taxpayers of South Carolina appreciate your continued support of helping lower taxes for the Palmetto State and we look forward to those legislators who stand with the taxpayers.

Please call if I can be of any further help to you on this issue.

Sincerely,

Don Weaver, President

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