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Issue at a Glance – Tax Increase

Increasing the tobacco tax is one of many proposals to increase taxes that will likely come before the Iowa Legislature next year. Taking more money out of the pocketbooks of Iowa taxpayers through an increase in the tobacco tax, or any tax increase, is a bad idea. Here's why:

- New taxes always result in new spending. Money that is raised for one purpose often ends up being used for other purposes. Recall the tobacco lawsuits of the 1990s. Funds that were supposed to be used for children's health care programs have been used to shore up holes in the state budget.
- Any tax simply takes money out of the private sector, and puts it in the hands of the government. Government is never as good as the private sector in determining how to use resources.
- An increase in the tobacco tax could hurt Iowa retailers located near the Iowa border as customers cross into the surrounding states with lower tobacco tax rates.

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For more information on this issue, read the following:

“The Coming Tax Increase in Iowa – And How to Fight It”

Iowa Economic Scorecard, July 2004

www.limitedgovernment.org/publications/pubs/ies/iesjul04.pdf

“Plans to Increase State Revenue Could Go Up In Smoke”

Institute Brief, March 2004, Volume 11, Number 7

www.limitedgovernment.org/publications/pubs/briefs/pdfs/brf11-7.pdf

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