



Responsible Policy. Real Prosperity.

March 22, 2018

Heidi Holliday, Executive Director
Kansas Center for Economic Growth
Written-only proponent testimony on Senate Bill 376
Senate Assessment and Taxation Committee

Chair Tyson and Members of the Committee:

Thank you for the opportunity to provide testimony on Kansas tax policy. The Kansas Center for Economic Growth (KCEG) is a nonpartisan organization dedicated to promoting balanced budget and tax policies that help ensure all Kansans prosper. **We are submitting testimony in support of Senate Bill 376 for the following reasons:**

- **“Tobacco taxes reduce smoking and extend lives.”ⁱ** Each year, 4,400 Kansans die from smoking. Raising the tobacco tax by \$1.50 per pack will prevent youth from becoming adult smokers, discourage tobacco use among adults, prevent premature smoking-caused deaths and lead to better maternal/child health outcomes.
- **It will reduce healthcare costs.** Kansas spends more than \$1.12 billion each year on tobacco related health care costs. As the number of smokers declines, so too will the healthcare expenditures caused by tobacco.
- **It provides a predictable revenue source for the state.** According to the Department of Revenue, SB 376 would increase state revenues by approximately \$87.7 million in FY 2019, with \$5 million of that going to the Cigarette and Tobacco Cessation Fund.ⁱⁱ While revenues from tobacco tax are expected to gradually fall over time, the new revenue will continue to exceed current receipts. Additionally, this will be an indication that the policy is working, as the ultimate goal of raising cigarette taxes is to improve public health and extend lives. The cost savings that result from lower smoking rates far exceed declines in revenue.

We recognize lawmakers have a difficult task ahead as our state recovers from the failed 2012 tax plan, nine consecutive rounds of budget cuts, and years of disinvestment.

Certainly, the task at hand for the legislature is difficult, and we appreciate the committee’s thoroughness in evaluating all the available options. As you seek sustainable and renewable revenue sources to fund our state’s most pressing priorities: providing great schools, affordable health care, and solid infrastructure, and building thriving communities in Kansas, KCEG is happy to provide technical assistance. Please do not hesitate to contact me (heidi@realprosperityks.com) if you have any questions.

ⁱ <https://www.cbpp.org/research/higher-tobacco-taxes-can-improve-health-and-raise-revenue>

ⁱⁱ http://kslegislature.org/li/b2017_18/measures/documents/fisc_note_hb2231_00_0000.pdf