

## **Local Cigarette and Tobacco Taxes**

### **Background**

- In some states, local governments like town boards, city councils and county commissions have been granted the authority by a state legislature to impose a local cigarette or tobacco tax on the retail sale of tobacco products.
- Oftentimes, the underlying purpose of a local cigarette or tobacco tax is to raise revenue for various spending initiatives and projects, and there is no limit on the amount that a local government can set as the tax rate on cigarettes and other tobacco products.

### **Arguments in Favor of Not Adopting Local Cigarette and Tobacco Taxes**

- A local cigarette and tobacco tax is one of the most anti-retail actions that a local government can enact because such a tax will cause local residents to drive to a nearby town or the next county to purchase their tobacco products to avoid the local tax.
- With tobacco stores dependent on tobacco sales for virtually all of their profits and convenience stores relying on tobacco sales for nearly 40% of in-store sales, the downturn in cigarette and tobacco sales will translate into employee layoffs and possible store closures.
- With a local tax on cigarettes and tobacco products creating an anti-business marketplace, a retailer will view the cigarette and tobacco taxes as a major disincentive to either expanding its current operations or opening a new store in the town, city or county.
- Many towns, cities and counties advertise a business-friendly environment to keep existing businesses and attract new businesses. Local elected officials need to be reminded that a low business tax structure is the key to business development and that local taxes on products stifle business expansion and development.

