

DRACONIAN TOBACCO TAXES AND NEW SMOKING BAN CAUSE STATE TOBACCO AND CASINO REVENUES TO PLUMMET

By Alex Voorman

Chicago -- Illinois politicians again proved that they are quite adept at cutting their own throats, financially speaking. Both state cigarette and casino revenues are down significantly in the 5 months of fiscal year 2009 (FY09) ending November 30, 2008. The most recent data from the Illinois state comptroller's website shows that while other major sources of state revenue are relatively unchanged, revenues from cigarette taxes are down 11% (down \$32 million) and casino tax revenues dropped 28% (down \$105 million) compared to the same period in FY08. The drop in cigarette revenue is almost certainly due to overzealous taxation by the state, which has seen steadily declining revenues from cigarette sales since FY04, when it passed a 69% state cigarette tax hike (HB539). This clearly demonstrates the flaw in government logic that increasing taxes on "vices" will boost revenue. Subsequent tax increases by Cook County and the city of Chicago have brought the total cigarette tax to a prohibitively expensive \$4.05 per pack in Chicago.

It should also come as no surprise that Illinois' draconian anti-tobacco legislation may be to blame for the dramatic 28% drop in casino revenues. Many casinos are blaming their drop in revenue on the new smoking ban that went into effect January 1, which they say causes people to spend more time smoking outside, thereby cutting back on the amount of time spent gambling. For proof of this theory, they cite Indiana casinos, which have seen their revenues decrease by a meager one-quarter-of-one-percent since the economic downturn. The only significant difference is that Indiana does not have a smoking ban.

ITEF is currently conducting its 7th annual study of state revenue, the only public study of total state revenue. To see previous studies, visit www.ntui.org/category/reports

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