

Richard, Rob

From: Sen.Fitzgerald
Sent: Tuesday, May 31, 2011 10:57 AM
To: Foti, Tyler
Subject: FW: ALEC Issue Alert: Weight-based tax proposal in the Joint Committee on Finance version of the 2011-13

From: ALEC [mailto:cobrien@alec.org]
Sent: Tuesday, May 31, 2011 9:54 AM
To: Sen.Fitzgerald
Subject: ALEC Issue Alert: Weight-based tax proposal in the Joint Committee on Finance version of the 2011-13

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ISSUE ALERT

To: ALEC Wisconsin members
From: ALEC Commerce, Insurance, and Economic Development Task Force
Date: May 31, 2011
Re: Weight-based tax proposal in the Joint Committee on Finance version of the 2011-13 Biennial Budget

If enacted would change the current excise tax on moist smokeless tobacco (MST) from an ad valorem basis (percentage based on price) to a weight based system in a revenue neutral manner. A weight based system supports the principles of a sound tax policy; economic neutrality, fairness, simplicity, efficiency, and fiscal stability. For these reasons, **the American Legislative Exchange Council (ALEC) supports the policy in the weight-based tax proposal in the Joint Committee on Finance version of the 2011-13 Biennial Budget.**

Currently in Wisconsin, the excise tax on moist smokeless tobacco (MST) is an ad valorem tax. This means that the tax is dependent on the price of the product, creating a structure that distorts consumer preference between similar products and an unintended tax disparity.

On the other hand, items such as cigarettes, gasoline, and beer are all taxed by unit or volume. ALEC believes that all like products would be taxed the same and there should be no tax preference for inexpensive products that could harm state revenues. A weight-based system would reduce the tax administration burden on wholesalers, in turn benefiting customers.

A weight-based system could simplify and ease compliance for retailers and state tax

administrators and would erase the tax-conferred market advantage that some products have enjoyed in recent years. Wisconsin is the only state that has ever repealed a weight based system and enacted the less efficient ad valorem tax. Over 20 states use a weight based system currently. ALEC does not believe any state should support a tax policy which creates a preference for one product over another or that one product should be encouraged over another. Creating a tax preference artificially disrupts free market consumer dynamics.

ALEC has passed a model resolution and statement of principles on this issue which is attached to the resolution, *Resolution on the Enhancement of Economic Neutrality, Commercial Efficiency, and Fairness in the Taxation of Moist Smokeless Tobacco Products.*

The conversion to weight-based tax will create a more fair tax system that reduces market distortions and encourages fiscal stability. It is with the guiding principles of fiscal responsibility, free markets, and limited government in mind that **ALEC supports the above tax policy change within the Joint Committee on Finance version of the 2011-13 Biennial Budget.**

For more information, contact Courtney O'Brien at cobrien@alec.org or 202-742-8504.

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