



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

PO Box 12267
COLUMBIA, SC 29211

FOR IMMEDIATE RELEASE

Contact: Ben Fox 803-734-2100 bfox@gov.sc.gov

Gov. Sanford Vetoes Largest Tax Hike in a Generation **CIGARETTE TAX INCREASE ADDS TO TAX BURDEN IN ALREADY TOUGH ECONOMY,** **DOES LITTLE TO ADDRESS STATE'S LONG TERM HEALTH CARE FUNDING PROBLEM**

Columbia, S.C. - May 11, 2010 - Governor Mark Sanford today joined legislators and small business leaders in announcing his veto of H.3584, a bill that would increase the state's cigarette tax by 50 cents per pack. This legislation represents a more than billion dollar tax increase over the next decade, as well as the largest tax increase on working South Carolinians in a generation.

"First, on the cigarette tax, we are where we've always been," Gov. Sanford said. "For the last seven years we've advocated an increase to the cigarette tax, while at the same time insisting that we ought not to raise the overall tax burden on working South Carolinians, but instead counterbalance this tax hike with corresponding tax relief that would better fuel the state's economy and help create jobs. With the state's economy just beginning to emerge from one of the worst recessions in modern history, we're holding to that principle more firmly than ever. In these difficult economic times, we believe it would be sheer folly to impose the largest tax increase since 1985.

"Indeed, the reason we're facing these budget problems in the first place isn't because South Carolinians are taxed too little; it's largely because government spends too much. After growing state government spending by an unsustainable 40 percent from 2004 to 2008, the state budget has now been whittled back from over \$7 billion to around \$5 billion. Yet what's forgotten is that total state spending, including federal funds and fees paid for by South Carolinians, has actually increased by 14.5 percent since 2007. So instead of following the belt-tightening lead of families across the state by doing more with less, state government has actually expanded its reach into the pockets of taxpayers.

"Second, when confronting a budget shortfall, tax increases should be a last resort. As we offered during the budget debate last year and again this year, the effect of Washington's so-called stimulus solution was merely to kick the can down the road on tough decisions. While we've withstood wave after wave of budget cuts, the budget debate next year will be even harder as policymakers come to terms a \$1.2 billion budget hole and stimulus funds all dried up. Instead, we should use this opportunity to make reforms to our government – a government already costing South Carolinians nearly 140 percent of the national average – and design a leaner, more efficient model going forward.

"Finally, this cigarette tax increase will not solve the healthcare problem in South Carolina. According to the State Budget Office, the revenue from this tax increase will fall short of covering Medicaid growth within two years or sooner. With the recent passage of ObamaCare legislation in Washington D.C., almost half a million South Carolinians will be added to the state's Medicaid rolls and cost state taxpayers an additional \$914 million over the next decade. More comprehensive, market-based healthcare reform is necessary, and indeed this tax hike may end up exacerbating the current problem by pushing needed reform that much further down the road.

"In short, I'd respectfully ask the General Assembly to reject the ideas underpinning this bill – that we can ask taxpayers to solve problems caused by government, that we can use tax increases to ignore the need to reform government, and that we can deal with what is indeed an important healthcare challenge by simply raising taxes."

###