



Everyday is Tax Day for Adult Smokers!

Winston-Salem, N.C. – April 11, 2005 – Most of us look forward with a sigh of relief to April 16 as the end of the annual tax-preparation season. But for many lawmakers in search of additional revenue from adult smokers, tax season never ends.

Between 1998 and 2004, local, state and federal governments collected over \$196 billion in taxes and state settlement payments – more than \$31 billion in 2004 alone. Rather than a one-time date with Uncle Sam, smokers' tax payments continue in a steady stream throughout the year.

By gaining more from the sale of cigarettes than any segment of the tobacco industry, including the companies that manufacture cigarettes, government has realized a virtual monopoly on tobacco profits. In 2004, the government pocketed more tobacco revenue per minute – \$58,968 – than the average working family brought home in a year –\$41,219.

And why does government want so much money from tobacco companies and adult smokers who choose to engage in a legal behavior? If you think this revenue is needed to fund the cost of tobacco control programs, think again.

According to a March 2004 report by the U. S. General Accounting Office (GAO), states are spending just 2 percent of the billions of dollars they receive in settlement funds on tobacco control and less than 20 percent on health-related programs.

The GAO reports that 54 percent of the \$11.4 billion states received in fiscal year 2004 was designated for budget shortfalls, 17 percent for health-related programs, 7 percent for debt service on securitized tobacco settlement funds, 6 percent for general purposes, 5 percent for infrastructure, and just 2 percent toward tobacco control.

Commenting on the GAO report, Sam Kazman, general counsel for the Competitive Enterprise Institute, said, "The \$240 billion settlement was sold

to the American people as compensation for treating smoking-related diseases, but it's the states that have become addicted to tobacco money, spending it on all kinds of unrelated programs."

Despite this dismal record of using money derived from smokers and the tobacco industry for everything except what government officials said they needed it for, many states want more. In 2005, approximately 20 states are expected to introduce legislation to further increase cigarette excise taxes.

So as millions of citizens look forward to the end of the annual tax-filing season, it's hard to avoid the harsh reality that for federal, state and local governments, it's always open season on smokers.

[R.J. Reynolds Tobacco Company](#) (R.J. Reynolds) is an indirect wholly owned subsidiary of [Reynolds American Inc.](#) (NYSE: RAI). R.J. Reynolds is the second-largest tobacco company in the United States, manufacturing about one of every three cigarettes sold in the United States. R.J. Reynolds' product line includes five of the nation's 10 best-selling cigarette brands: Camel, Winston, Kool, Salem and Doral. For more information about R.J. Reynolds, visit the company's Web site at www.RJRT.com.

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