



## **Governor's "Significant" Hike in Smokers' Cigarette Taxes Would Be Bad for Consumers and Bad for Business**

**Winston-Salem, N.C. --Feb. 22, 2005--** In the midst of a budget shortfall, Gov. Mike Easley has suggested that the North Carolina legislature impose a "significant" increase in the smoker-paid state cigarette excise tax. The governor's proposal was immediately criticized as bad for consumers and bad for business by Brennan Dawson, senior vice president, government relations, for R.J. Reynolds Tobacco Company.

### **Bad for Consumers**

Smokers in the state already bear a high tax burden and should not be asked to sustain a heavier load. Smokers pay substantial sums through cigarette excise, sales taxes and settlement payments regardless of their income level or ability to pay.

Singling out smokers to pay more to meet the state's budget for the benefit of all the state's citizens is bad policy. The impact of cigarette taxes on working families is more than three times the impact on higher income smokers. "Those who can afford it least pay a disproportionate percentage of their hard-earned income in cigarette taxes," Dawson said, urging the North Carolina legislature to look elsewhere for a better and more realistic funding alternative.

"Like Governor Easley, we do not want young people to smoke," Dawson said. "Penalizing adult smokers, who buy the vast majority of cigarettes, is not the answer to this problem," she said.

### **Bad for Business**

"North Carolina is a unique recipient of tobacco revenue from the strong cigarette manufacturing presence that generates corporate and payroll taxes for the state. To protect those manufacturing jobs and enterprises, North Carolina must reject the notion that smokers and tobacco companies

can fill the budget gaps,” said Dawson.

“More revenue is received in the state from cigarette manufacturing than the sale of cigarettes. Today, before adding so much as a penny, North Carolina already receives more than 60 cents a pack,” she added, noting that any increase would be bad for business.

“On the positive side, R.J. Reynolds wholeheartedly supports the governor’s call for cigarette companies who were not part of the original tobacco settlement to make appropriate payments,” she said.

*[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](http://www.RJRT.com).*