

get so hung up on the general revenue system of the state to shift to a regressive tax and we are doing that in this bill. Because we've got an idea that everybody should pay the same tax regardless of income it seems to be dominating in the moves in this legislative body when we shift to what is a product tax, although it is cigarettes, going out beyond what is reasonable in relation to other states and moving to a regressive tax to protect the highest income taxpayers of the state. I think it is a real disappointment to see the movements, the general movements in revenue source that are being made in this Legislature to go after the little guy for the bucks to protect the highest income sources of the state. We just gave away all the bucks in the corporate income tax where they would come from the wealthiest sources in the state and now we are going to tack it on the cigarette smoker and force some of them to be buying outside the state. I urge the body to reject this bill. I think we could have bought a couple cents but to go four cents on it is a very unreasonable figure.

SENATOR CLARK: Senator Newell. All right, Senator Vard Johnson. We are on the advancement of the bill.

SENATOR V. JOHNSON: Mr. Speaker, members of the body, I think this is a fairly difficult issue because we are asking cigarette smokers to pay a pretty good hike. Without any question, there will be an increased amount of bootlegging of cigarettes across state lines. I think that Larry Ruth, I believe, testified to the Revenue Committee that when the State of Iowa increased its tax by four cents last year they anticipated increased receipts in the neighborhood of \$35 million and it turned out they only received \$20 million and it also turned out that the number of reported sales are down in Iowa so the suspicion is simply that there has been a fair amount of bootlegging of cigarettes across the state line. Now our own tax commissioner testified that Missouri is taking a hard look right now at increasing its cigarette tax very substantially and the same thing is being considered in Kansas, though not Wyoming and if you look at Senator Landis' chart you will discover that Wyoming is by far the cheap tax state on cigarettes so I suppose out in the panhandle, Senator Clark, we will find some bootlegging going on when we increase the tax rate. But the real question is, what is the right thing to do? Senator Beutler asked early on what the historic figures were on cigarette taxes and Senator Peterson and I passed out a chart which you have on your desk which was prepared by Larry Ruth who is the lobbyist for the tobacco institute because we had asked him this question during the course of the revenue hearing and that is, what has been the historic relationship between the prices of cigarettes and the level of taxes. And as you can see from the chart starting in 1955 about 51% of the price of a package of cigarettes represented taxes with the remaining 49% representing cost of production plus profit and so on and that