



June 20, 2011

Gov. Scott Walker
Office of Governor Scott Walker
115 East Capitol
Madison, WI 53702

Dear Governor Walker,

As a national policy leader, I wanted to reach out to you regarding an important issue for the American Legislative Exchange Council (ALEC); the nation's largest individual membership organization of state legislators dedicated to promoting the principles of free markets, limited government, and individual liberty.

ALEC would like to congratulate the Wisconsin legislature for passing a budget that includes an amendment to significantly cut taxes. If enacted, the weight-based tax proposal in the Joint Committee on Finance version of the 2011-13 Biennial Budget 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 sound tax policy; economic neutrality, fairness, simplicity, efficiency, and fiscal stability. For these reasons, the **American Legislative Exchange Council (ALEC) supports the policy in WI AB 40's amendment regarding the excise tax on moist smokeless tobacco.**

Currently in Wisconsin, the excise tax on moist smokeless tobacco (MST) is an ad valorem tax. The tax is dependent on the price of the product, creating a structure that distorts consumer preference. ALEC believes that all like products should be taxed the same. A weight-based system would reduce the tax administration burden on wholesalers, in turn benefiting customers.

A weight-based system would also simplify compliance for retailers and state tax administrators. Wisconsin is the only state that has ever repealed a weight based system and enacted the less efficient ad valorem tax. Over 20 states currently use a weight based system. The amendment will create a fairer tax system that reduces market distortions and encourages fiscal stability. It is with the guiding principles of fiscal responsibility, free markets, and limited government that ALEC supports the above policies within WI AB 40's amendment regarding the excise tax on moist smokeless tobacco. If your office has any questions or concerns, please do not hesitate to contact me.

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.

Sincerely,

Courtney O'Brien
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& Public Safety and Elections Task Forces
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