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Md. Small Business Leader Sounds Alarm on Democrats' Budget Reconciliation Package

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The framework of the current \$3.5 trillion federal budget reconciliation package recently released brings new hope for those of us ready for a new generation of policies to uplift our poorest communities out of poverty and turn the page to a new chapter focused on post-pandemic recovery. And as Congress attempts to pass a record infrastructure deal and a budget that works for everyone, I am very optimistic about this future.

However, I am worried that one potential provision will only counteract much of the bill's historic achievements. To help pay for the robust package, some Democrats are considering raising the federal excise tax on tobacco products, which would present very real concerns for our retail industry and our most disadvantaged communities.

First and foremost, this policy threatens the survival of our small businesses. As the chairman of the Asian American Retailers Association of Maryland, I represent convenience stores, gas stations, liquor stores, groceries and many other retail businesses throughout Maryland. I've seen firsthand the severe impact of COVID-19 for these essential businesses as they have struggled just to survive, some of them unsuccessfully.

This industry is in desperate need of federal aid to return to pre-pandemic operations, but an excise tax on tobacco products would entirely counteract any resources dedicated to this cause under the reconciliation package.

In Maryland, cigarettes account for as much as 40% of sales for convenience stores. Raising taxes on these products, therefore, would significantly impact their ability to collect revenue and recover from losses they've endured for more than a year.

I envision that this legislative burden would be too much to bear for many of these weakened businesses, and sadly, it would lead to bankruptcies and store closures. This policy will only further contribute to the excessively high unemployment rate that Maryland is currently facing.

Adding insult to injury, taxes on tobacco products are highly regressive taxes that have no place in our modern tax code.

As the Cato Institute has reported, low-income smokers spend nearly 25% of their annual income on cigarettes. Meanwhile, individuals in higher socioeconomic classes spend only 2% of their income on cigarettes.

An increase in the federal excise tax on tobacco products would only exacerbate this astounding disparity between the richest and poorest Americans.

During his campaign last year, President Biden consistently promised never to raise taxes on those making less than \$400,000 per year. However, if congressional Democrats hike these regressive taxes, they would violate this promise and abandon a vision that Americans showed up in record numbers to vote for less than a year ago.

Cigarette smoking is certainly a habit that I do not encourage, but instead of punishing users, we should be providing resources to help those who wish to quit. Vapor products have been a powerful aid helping numerous lifetime smokers quit their habits, and the transition to these products has no adverse effect on our small businesses. Rather than support these safer alternatives, however, legislators are looking to create an equivalent tax despite their proven relative health benefits.

I am thankful for all that our legislators are doing in Washington to fight injustices and revitalize our wounded industries. I hope that their commitment to these causes will allow them to see the dangers of the policy that they are considering within the reconciliation bill.

One thing is clear, however. Legislators cannot claim to be champions of small business while simultaneously supporting an excise tax on tobacco products.