

March 13, 2012

ROLL-YOUR-OWN SMOKERS FIGHT PROPOSED TOBACCO TAX

KGMI-790 News Radio (WA)

March 12, 2012

When customers of Tobacco Joe's stop in to buy tobacco and roll their own cigarettes at the Everett store, operators are urging them to sign petitions against the proposed new tax on pipe tobacco.

Tobacco Joe's manager Toni Haddanuff tells heraldnet.com it would snuff their business.

Smokers are now able to get the equivalent of a carton of cigarettes for about half the price of store bought, by using pipe tobacco, which the state taxes at a lower rate.

State lawmakers are now considering boosting the tax on pipe tobacco, after the state Office of Financial Management revealed the state is losing about 13 million dollars a year.

If lawmakers do decide to bump the pipe tobacco tax in the special session that starts today, it would push the cost of a roll-your-own carton of cigarettes from roughly 39 dollars to almost 67 dollars a carton.

Originally published here: <http://kgmi.com/Roll-Your-Own-Smokers-Fight-Proposed-Tobacco-Tax/12524251>

ROLL-YOUR-OWN STORES REACT TO LEGISLATION

By Kirk Boxleitner

Arlington Times (WA)

March 12, 2012

A bill that passed the state House on March 6 before moving to the Senate promises to have profound impacts on a very specialized line of businesses in Marysville, Arlington and beyond.

House Bill 2565 would require roll-your-own cigarette retailers — such as Marysville Tobacco Joe's and Arlington Tobacco Express — to become certified and pay an annual certification fee of \$100, as well as to purchase tax stamps to enforce the collection of taxes on tobacco products. Those stamps would be

affixed to containers of roll-your-own cigarettes and customers would be required to carry their cigarettes in those containers.

Joe Baba, a tobacco distributor for Washington state who owns multiple roll-your-own cigarette stores in the area, noted that there are more than 65 such stores in the state, employing an estimated 250 workers. Like Michael Thorn, owner of Marysville Tobacco Joe's, and Jill Murphy, owner of Arlington Tobacco Express, Baba argued that HB 2565, which passed the state House by 67-30 on March 6 before its first reading in the Senate on March 8, would effectively shut down their businesses.

"It's based on pie-in-the-sky numbers," Baba said. "The fiscal note of \$13 million that it would yield was only because they wouldn't allow that number to be revised a third time. It had already been revised down twice. It's phantom revenue for the state."

Thorn elaborated that the fiscal note estimate of \$13 million is based on the assumption that roll-your-own cigarette stores will sell 715,000 carton equivalents, when the retailers themselves are projecting sales of 360,000 in 2012. According to Thorn, Marysville Tobacco Joe's sells an average of 20 carton equivalents a day, while Murphy estimated that Arlington Tobacco Express moves between 17-38 boxes a day.

"It also assumes \$12.6 million in revenue from imposing the cigarette tax on these stores, which is not true," Thorn said. "The stores will close down and their customers will migrate to rolling their own at home, with store-bought machines, or will migrate to other sources that do not collect any state-imposed tobacco tax."

Thorn and Murphy's customers purchase tobacco from their stores to roll in their machines, and pay nearly half for their tobacco than those who purchase pre-manufactured cigarettes. With the state tax rate for a carton of 200 cigarettes at \$30.25, both retailers agreed that taxes on roll-your-own cigarettes would be higher than taxes on pre-manufactured cigarettes.

"Who's going to take half an hour out of their day to feed tobacco and tubes into our machines and to pay more money to do it?" Thorn asked. "Nobody wants to talk about this, but when bills with the same verbiage show up in seven different states on the same day, I think Big Tobacco has had a hand in it."

Murphy echoed Baba and Thorn's assertions that such legislation undercuts consumer freedom of choice, and urged lawmakers to seek revenue from sources more likely to yield it.

"Every one of these shops has spent at least \$35,000 on the roll-your-own machine just by itself, and you have to have a store address for it to be delivered to even after you've paid for it," Murphy said. "We're not getting rich off this. We chose to get a beer and wine license as well, but if this bill passes, that's not going to save us."

Murphy described most of her customers as folks who would not be able to afford a significant price increase on their cigarettes.

"Our business fluctuates depending on paydays, Social Security checks and disability payments," Murphy said. "A lot of them are senior citizens. Some of them come in, get 20 cigarettes and pay for them in quarters."

In the state House, representatives Kirk Pearson and Dan Kristiansen of the 39th District voted against HB 2565, while representatives Hans Dunshee, Mike Hope, Mike Sells and John McCoy of the 38th and 44th Districts voted in favor of it. Pearson does not smoke, but he shares Murphy's view of who would be negatively affected by this bill.

"Every year, I've seen the state put different taxes on tobacco, and it only hurts the poor," Pearson said. "This bill will cost jobs and not gain us anything in the long run."

While Thorn took issue with Hope's support of the bill, given Hope's stance of support for small businesses, Hope characterized his vote as consistent with his stance.

"This specific industry is an artificial market created by excessive taxation that is not equitable and will hurt small mom-and-pop shops," Hope said. "I was directly asked by small grocers throughout Snohomish County to vote for it and level the playing field."

Originally published here: <http://www.arlingontimes.com/news/142322795.html>

CIGARETTE TAX FAILS TO GAIN TRACTION

Boise State Public Radio (ID)

March 12, 2012

An attempt to raise Idaho's cigarette tax was snuffed out today in the Idaho Legislature. Despite pleas to save lives and money, lawmakers objected to higher taxes and the effects on local businesses.

Heidi Low of the American Cancer Society led the charge. Speaking before the House Revenue and Taxation Committee, she proposed raising the cigarette tax by \$1.25 per pack. Supported by a coalition of 24 other groups, Low said the goal would be to keep kids from smoking.

Heidi Low "You will prevent 12,400 youth from ever becoming addicted tobacco users and 9400 current smokers will quit. This is gonna save Idaho lives and money. 6600 will no longer die a premature death because of long-term tobacco use and in the long-term health care savings in Idaho, is over 400-million dollars."

Lawmakers debated raising taxes and the health effects of smoking. Here's a sample of how that debate went:

Lenore Barrett "If you don't want folks to smoke, ban the product, make it illegal, send smokers to jail and pay for their rehab like we do with other addictive drugs."

Vito Barbieri "I'm pretty convinced this legislation will hurt businesses in my district."

Cliff Bayer "This does hit a certain sector, blue collar workers, veterans, fixed income folks, with an over 200 percent tax increase that I can't support."

Dick Harwood "My mother smoked for 80, 82, 83 years, something like that, she was in pretty well health her whole life. Just because you smoke doesn't mean you're gonna be ill. I know the statistics show that different, but not everybody's that way."

Those were Republicans Lenore Barrett, Vito Barbieri, Cliff Bayer, and Dick Harwood. They voted to leave Idaho's cigarette tax alone... keeping it at 57 cents a pack.

Original story and audio here: <http://www.boisestatepublicradio.org/2012/03/12/ciqarette-tax-fails-to-gain-traction/>

A BUDGET BREAKTHROUGH, BUT AT WHAT COST?

Baltimore Sun Editorial (MD)

March 12, 2012

Our view: Senate committee finds elegant solution to teacher pension and education funding conundrum, but does it raise income taxes too much?

This week, the focus in Annapolis will be on the state's 2013 budget and the compromise struck by the Senate's Budget and Taxation Committee over education spending. Teachers, school boards, county executives and other local government leaders would be wise to rally behind the plan that takes many of the sharp edges off what Gov. Martin O'Malley had initially proposed.

But here's the rub: Much of the compromise is made possible because senators were willing to raise Maryland's income tax rates much more broadly than the governor sought and to use that money to cushion the blow of deficit-reduction on local school systems. While Mr. O'Malley wanted to lower income tax exemptions in a manner that would raise taxes for only the top 20 percent of earners, the Senate would reach into more pockets in order to raise more revenue — in the neighborhood of \$300 million annually.

Might the General Assembly be able to close a \$1 billion deficit, shift a portion of the cost of teacher pensions to local government, fully fund public education and hold Baltimore and the 23 county's fully responsible for school spending in the future without so broad an increase in state income tax rates? That remains to be seen.

Certainly, there is much to like in the Senate's approach. After years of debate, local governments would finally finance a share of teacher pensions, but the burden would be phased in over four years (at one-quarter of the cost added each year) and only cover the so-called "normal cost" of retirement — that is, the actuarial cost of a current employee for that year's service. That's a bit less than either Senate President Thomas V. Mike Miller had wanted or Governor O'Malley had proposed. The state would remain responsible for fully-funding accrued liabilities — a much larger cost but one that should gradually diminish over the next several decades.

Yet Baltimore and the counties are net beneficiaries, too, at least for the first several years. The budget would raise local aid sufficiently to cover the pension cost. That "found" money should do wonders for jurisdictions anticipating a struggle to balance their next year's budgets.

It would also strengthen the state's "maintenance of effort" law to ensure that local governments fully fund K-12 schools in future years. Those jurisdictions that fail to do so could have a portion of their income tax revenue diverted to their school system by the state. That's not likely to please local leaders, but the Senate plan would offer them more opportunities to have that requirement temporarily waived if circumstances warranted it.

A strengthened maintenance of effort law was a high priority for school advocates, and local governments were vociferously opposed to the pension shift because of their own budget shortfalls. The Senate proposal elegantly offers both sides victory and extracts concessions. The only question is, are taxpayers treated as respectfully?

The pension shift saves the state hundreds of millions of dollars in the long run. And the alternative of forcing pension costs on local governments without new revenue directed their way might have translated into local property tax increases — a less progressive form of taxation — or cuts to vital services including classroom spending.

The Senate tax plan also deserves credit for asking more from higher earners. Marylanders earning \$200,000 and filing jointly would pay no more than 5 percent (not counting the local piggyback) while those earning more than \$500,000 would pay as much as 5.75 percent. The proposal also offers a slight increase in the earned income tax credit for low-wage workers.

Nor does the plan depend solely on spending cuts and income taxes to balance the budget. It also raises an assortment of taxes and fees from some appropriate sources — increasing the cost of cigars and other tobacco products, applying the sales tax to certain Internet sellers, and closing a loophole in the mortgage recordation tax, to name a few.

Senator Miller is unlikely to find a lot of tax-averse Republican votes for this budget plan, but those senators who want Maryland schools to remain among the best in the nation should find much to like. Even teachers opposed to the pension shift will have to acknowledge its merits as the proposal protects their future benefits without taking more money out of their pockets.

The only fly in the ointment is whether all this might be accomplished with less sacrifice from taxpayers, and that's no trivial matter. We cannot escape the fear that senators are seeking to raise more money than is truly necessary to make their plan work. We look forward to a robust debate on that point on the Senate floor this week and again when the measure lands in the House of Delegates.

Originally published here: <http://www.baltimoresun.com/news/opinion/editorial/bs-ed-budget-20120312,0,755429.story>

SNUFFING CIGARETTE SMUGGLING A CHALLENGE FOR LOW-TAX VIRGINIA

By Hannah Hess

Virginia Statehouse News

March 13, 2012

Virginia lawmakers worry they may be losing billions of dollars to cigarette smugglers, but lawmakers have resisted the idea of raising the state's relatively low per-pack tax.

Concerns about cross-border tax differences harming merchants and a rise in illegal smuggling have shifted the nature of the cigarette tax debate from a health and revenue issue to one of crime and commercialism.

This year, lawmakers appointed the Virginia State Crime Commission to study the practice of illegal cigarette trafficking. The commission is expected to get back to the Legislature in 2014 with a detailed report.

Lawmakers have ordered the commission to determine why illegal cigarette trafficking occurs, identify the methods of illegal cigarette trafficking and the strategies used by smugglers, and document the effects and financial impact on state and local governments, cigarette manufacturers, retailers and wholesalers.

The bill directing the commission study — Senate Joint Resolution 21, proposed by Sen. Janet Howell [1], D-Fairfax — passed both chambers with unanimous support.

The low taxes create an environment ripe for smuggling cigarettes from Virginia, which taxes cigarettes at 30 percents per pack, to other, higher-tax states, lawmakers believe.

Only Missouri, which collects 17 cents on each pack of cigarettes, has a lower state cigarette tax than Virginia. Overall, state taxes average \$1.46-per-pack, according to a January report from the Campaign for Tobacco-Free Kids [2].

As for Virginia's neighbors, North Carolina charges 45 cents per pack in taxes, Maryland charges \$2, and Washington, D.C. levies \$2.50.

New York has the highest state tax on cigarettes, charging \$4.35 per pack. In addition to the state taxes, the federal per-pack cigarette tax is \$1.01.

Delegate Patrick Hope [3], D-Arlington, proposed increasing Virginia's tax by 383 percent — to \$1.45 per pack with House Bill 160. But as has happened in previous sessions, delegates killed his legislation this session before it reached the House floor.

House Minority Leader David Toscano, D-Charlottesville, said he doubts Republicans, who have a majority in state government, would allow Virginia to raise the price of cigarettes any time soon.

"It's a way to raise revenue and have an impact on people's use," he said.

House Bill 479, sponsored by Delegate Dave Albo [4], R-Fairfax, establishes legal purchase limits — 25 cartons per purchase — and imposes criminal and civil penalties for possession with intent to distribute contraband tax-paid cigarettes by parties outside the legitimate distribution chain. The measure passed both chambers unanimously this session.

"New York tried to tax cigarettes out of existence and created a black market," Albo said.

If Virginia cigarettes were more expensive, people might be less likely to buy large quantities and sell them for profit in other states, Toscano said.

Hope's tax increase was projected to increase revenues by more than \$305 million in 2013 and \$332.9 million over the next four years. Because fewer cigarettes and other tobacco products are sold as the price increases, the bill was expected to result in a decrease in the number of cigarettes and other tobacco products sold.

Fewer smokers, too.

For one, Amanda Rogan, 21, of Richmond, says she would kick the habit if the price of her \$5-per-pack Marlboro Lights climbed to \$7 or more.

"I would not pay \$10 to buy cigarettes," she said, noting that smokers in New York City often shell out that much or more for a pack, depending on the brand.

Originally published here: <http://virginia.statehousenewsonline.com/5390/snuffing-cigarette-smuggling-a-challenge-for-low-tax-virginia/>