



DAILY NEWS CLIPS

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STATE TARGETS ROLL-YOUR-OWN 'SMOKES' SHOPS

By Mark Klaas

Auburn Reporter (Auburn, WA)

March 30, 2012

It's Big Tobacco's attempt to blow away competition from Little Tobacco.

That's how Jean Wood and 64 other roll-your-own cigarette retailers throughout the state interpret a proposed bill in Olympia they say targets their livelihoods.

Tobacco shops simply want large corporations to butt out of their right to earn a living.

"It's not fair," said Wood, owner of Butt's Tobacco shops in Auburn and Edgewood. "I'm not going to go down without a fight."

Wood and other "smokes" shop operators fear the possibility of new state regulations that they say would dramatically hike taxes on loose tobacco and ultimately put them out of business. House Bill 2565 classifies Washington retailers who own roll-your-own (RYO) machines as "cigarette manufacturers," subjecting them to stricter tax regulations and requirements.

Tobacco shops have taken RYO to another level, and some states, Washington among them, are cracking down.

A growing number of smoke shops is equipped with heavy machines that can roll a carton's worth – 200 cigarettes – in a matter of minutes. The stores allow customers to use machines that roll loose tobacco into cigarettes that are then sold by the carton.

Smokers looking for lower prices can find them at these retailers, where customers can pay anywhere from \$21 to \$35, a deal that includes tobacco, tubes and a small fee to use the machine, or about half the cost of a regular carton.

Customers can avoid high cigarette taxes by using pipe tobacco, which is taxed at lower rates.

State lawmakers question whether this tobacco should be taxed at higher, cigarette-like rates.

Officials with Big Tobacco companies and public health care advocates say they are trying to crack down on ultra cheap and unregulated cigarettes, which they contend skirt tax and health laws.

But Wood is trying to offer a bargain destination for smokers. Taxing the tobacco would only hurt business, forcing RYO shop operators to pay more for the tobacco it buys, she said.

It could force shops out of business, which in the end would fail to generate additional tax revenue for the state, Wood said.

"I already pay my fair share of taxes," she said. "But they want more. They don't want to negotiate. They don't want to hear it. They want us gone."

Customers who use the RYO machines pay all applicable taxes on the loose tobacco and rolling tubes inserted into the machines, the Roll-My-Own Coalition of Washington claims.

The coalition says state retailers generate more than \$1 million in sales tax and \$1 million in state excise taxes annually.

The state House approved the bill on March 6. The state Senate must take action in its special session before the bill is forwarded to Gov. Chris Gregoire for her signature.

The bill would extend the tax on cigarettes – currently 15 cents per cigarette – to RYO cigarettes sold in stores.

Wood and others are waiting anxiously for the outcome. The new law threatens to undermine 65 stores employing 250 people across the state, she said.

"A lot of our customers don't want us to leave," she said. "If they close us down, they will go out of state or roll their own privately."

Small convenience stores in the state are watching, too. They claim smokes shops divert business. A new law would support them, bringing RYO prices to a level playing field with traditional cigarettes.

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ROLL-YOUR-OWN SMOKES TAX HAS RETAILERS FUMING

By Alexis Krell

The News Tribune (Tacoma, WA)

April 1, 2012

Tobacco shops say they would take a serious hit if state lawmakers, struggling to cover a \$1 billion budget gap, change how the state taxes roll-your-own machine cigarettes.

Those fighting for the change say it would close a tax loophole that gives a burgeoning industry an unfair competitive advantage.

The machines in question let consumers roll loose-leaf tobacco into a carton of cigarettes in about 10 minutes, at roughly half the price of a retail carton. That's in part because state taxes – 15 cents per cigarette – don't apply to those produced by the roll-your-own machines.

As state budget negotiations progress, some lawmakers are pushing for that to change.

Chuck Bertrand owns Payless Smokes in University Place and another roll-your-own store in Fife – two of 65 such locations in Washington, he says. If the do-it-yourself products are taxed like retail cigarettes, he says, he'll be put out of business.

"Who would roll smokes if you can buy them already packaged at the same price?" Bertrand said.

He says the cheaper alternative is important for his customers.

"The people that come in here are pretty poor people," Bertrand said. "The vast majority of smokers are lower income and older people. ... They really think that roll-your-own is a blessing for them."

But supporters of taxing roll-your-owns like retail cigarettes say the Legislature should be more concerned with fairness and public health.

House Bill 2565, sponsored by Democratic Rep. Steve Kirby of Tacoma, would have applied the cigarette tax to roll-your-owns. It passed the House during the regular legislative session but didn't make it out of the Senate.

However, Gov. Chris Gregoire told reporters Friday that she supports collecting the tax and that it's still on the table for budget negotiations.

The bill's fiscal note shows that the efforts would result in more than \$12 million in increased revenue for the state in the first year, and roughly \$13 million annually after that. Collecting the tax would raise the average price for a roll-your-own carton from \$34.50 to \$67.60, the note shows. The cigarette tax, as well as additional sales and business and occupation taxes, would mostly account for the increase.

Applying the tax would be a public health move, some say.

"We're not curtailing people's addiction to smoking by having a cheap alternative way with roll-your-owns," Gregoire said. "... The health issue is my greatest concern."

Convenience stores are lobbying for the change. They argue that they take a hit when customers opt for the cheaper alternative.

"The answer here is to treat these (roll-your-own) stores like they're selling cigarettes, because that's what they're doing. ... You've got a company coming in, who has found a very creative way to evade cigarette taxes," said T.K. Bentler, who represents roughly 4,000 mom-and-pop convenience stores as executive director for the Washington Association of Neighborhood Stores. He also lobbies on behalf of Reynolds American, which produces Camel cigarettes.

Congress sharply raised cigarette taxes in 2009 but did not dramatically increase those on the pipe tobacco used by roll-your-own machines. Bentler says the disparity led to a boom in the do-it-yourself industry.

“If you don’t do this, you’re going to continue to see this migration of people buying cigarettes for 50 percent or less,” Bentler said of the state proposal.

Bertrand, the tobacco shop owner, says many of his customers previously bought cigarettes out of state or from tribal outlets to cut costs. He argues that they aren’t having enough of an effect on retail cigarette sales or tax collections to warrant legislation.

The state has a compact with the Puyallup Tribe under which the tribe charges nontribal buyers an amount equal to 70 percent of the state cigarette taxes and shares the proceeds with the state. Other tribes must charge 100 percent of the tax, but the state does not get a cut.

Bertrand and others see the tax proposal as one skirmish in the battle between Big Tobacco and Little Tobacco that is playing out across the country. Legislation to apply federal taxes and regulations to roll-your-own products is working its way through Congress, and many other state governments are taking up the issue this year.

“We would go out of business if the (Washington) bill is passed,” said Joe Baba, the primary distributor of the state’s roll-it-yourself machines. “... It’s Big Tobacco trying to level the competition, not the playing field.”

Originally published here: <http://www.thenewstribune.com/2012/04/01/2091486/roll-your-own-smokes-tax-has-retailers.html#storylink=cpy>

BILL TARGETS HIGH-VOLUME CIGARETTE ROLLING MACHINES

By Justin Graeber

Enterprise News (Brockton, MA)

April 1, 2012

Machines that save customers time and money called ‘no-brainer’

It’s fast and it’s a heck of a lot cheaper than buying smokes already packaged for sale.

That’s the selling point behind machines that allow smokers to roll their own cigarettes at a pace of one every three seconds and at a cost of about one-third that of packaged cigarettes.

“It’s a no-brainer,” said Brian McIssac of Patriot Convenience and Tobacco in Brockton.

The new machines, like the two at Patriot Convenience’s stores on Main and Centre streets, allow customers to pack and roll a carton of cigarettes themselves, doing in a matter of minutes what used to take three hours, McIssac said.

But new proposals from state and federal lawmakers – including a \$25,000 annual fee per machine on smoke shop owners – threaten to stymie the surging popularity of the machines by reclassifying the retailers who own them as “cigarette manufacturers,” subjecting them also to hefty taxes and health code regulations.

In his fiscal year 2013 budget proposal, Gov. Deval Patrick recommended raising the state’s cigarette excise tax by 50 cents to \$3.01 per pack. Currently, a pack of 20 cigarettes costs more than \$8 in Massachusetts. A carton of 10 packs, or 200 cigarettes, typically costs nearly \$80. The cost to roll 200 cigarettes using the roll-your-own machines can be as low as \$27 to \$30.

The proposal that matters most to the 28 Massachusetts retailers with the automated rolling machines – there are two in Brockton and one in Quincy – is the \$25,000 licensing fee on every in-store machine.

McIssac scoffed at the idea that what customers do in his store make him a “manufacturer.”

“People have been rolling their own (cigarettes) for hundreds of years,” he said.

The cigarette machines, produced by an Ohio-based company called Roll-Your-Own (RYO) Machines automate the rolling process by grinding and packing tobacco into 200 cigarette tubes in less than nine minutes.

For smokers who roll their own cigarettes by using a handheld, or low-volume, machine, the RYO station can save them several hours of rolling time.

“I think they (the high-volume machines) are pretty nifty if you have the \$30 or \$40 to throw down right away,” Autumn Owens of Pembroke said while shopping at Brennan’s Smoke Shop in Pembroke.

Brian Barros of Patriot Convenience said he’s seeing more interest.

“It’s getting more and more popular,” he said.

“They like the quality,” added McIssac.

But not everyone thinks they’re nifty. Lawmakers across the nation, including members of the U.S. Senate, are challenging roll-your-own shops, accusing them of capitalizing on an opportunity to make smoking cheaper.

A spokeswoman for the state Department of Public Health referred The Patriot Ledger’s finance-related questions to the Department of Revenue but did say that creating less-expensive ways to buy cigarettes is not good from a public health perspective.

“When the price of cigarettes goes up, the smoking rate goes down. This is especially true for young people, but it is also true for adults,” said Jennifer Manley, communications director for the public health department.

Kenny Harris, owner of Smokeys on Centre Street in Brockton, doesn’t own a roll-your-own machine but he’s opposed to any new taxes on smoke shops.

“Do you know how much I make with every pack of cigarette I sell? Fifty cents per pack,” Harris said. “It’s not worth it to sell tobacco anymore because the government and Taxachusetts makes all the money.”

Read more: <http://www.enterpriseneews.com/features/x121057945/Bill-targets-high-volume-cigarette-rolling-machines#ixzz1qtFXvQdS>

ROLL ON: POLS KILL TAX ON CHEAP CIGS AND CIGARS

By Erik Kriss
New York Post
April 2, 2012

You can keep rolling your own cigarettes and chomping stogies on the cheap — for now.

The state budget lawmakers adopted last week snuffed out a bid by Gov. Cuomo to increase taxes on loose tobacco and cigars.

The loose-tobacco tax increase was aimed at closing a loophole that makes it cheaper to get smokes at stores that provide easy-to-use rolling machines.

Anti-smoking advocates criticized the move.

“It means cheap cigarettes will still be available and more people will smoke more cigarettes,” said Russell Sciandra, New York advocacy director for the American Cancer Society.

But New York Association of Convenience Stores President James Calvin said the Cuomo plan would have unintentionally hurt his members while driving smokers to illicit, untaxed products.

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http://www.nypost.com/p/news/local/roll_on_pols_kill_tax_on_cheap_cigs_4NZ17lxlpGxGwz51Alu5XM#ixzz1qtI7AWGp