April 19, 2012

FEDERAL TAX HIKE DRIVES ROLL-YOUR-OWN SMOKERS TO PIPE TOBACCO

By Janet Novack
Forbes.com
April 19, 2012

Memo to Congress: Yes, you can influence behavior with taxes, but not always the way you intended.

A more than 2,000% increase in the federal tax on roll-your-own tobacco and small cigars has led consumers to roll lower-taxed pipe tobacco and smoke lower-taxed big cigars instead, according to a report released today by Congress' Government Accountability Office. Not surprisingly, that switch has been aided by manufacturers, who have repackaged and re-sized their products to minimize the tax bite.

The background: When the Democratic controlled Congress reauthorized the State Children's Health Insurance Program in 2009, it paid for an expansion of the program by raising the federal excise tax on cigarettes by 158%—from $19.50 per thousand to $50.33 per thousand. And, anticipating that smokers—particularly price sensitive teens—might switch from cigarettes to what had been lower-taxed roll-your-own tobacco and small cigars, Congress boosted the levies on those products all the way up to the cigarette level. As a result, the tax on roll-your-own tobacco jumped from $1.10 per pound to $24.78 per pound, a 2,159% increase, while the levy on small cigars (cigarillos) jumped from $1.83 per thousand to $50.33 per thousand, a 2,653% hike. That change was supported by the Campaign for Tobacco-Free Kids, the American Medical Association, the American Cancer Society and the American Lung Association. The Campaign boldly predicted that the tax increases would prevent two million children from ever starting to smoke.

By contrast, the tax on pipe tobacco was increased by the same 158% as the cigarette tax, going from $1.10 a pound to $2.83 a pound. The tax on big cigars, which is imposed as a percent of the manufacture's or importer's price, increased 155%, rising from 20.72% of the price to 52.75% of the price.

President Obama signed the expansion of SCHIPs, which pays for insurance for poor families who earn too much for Medicaid, on Feb. 4, 2009. The tax hike took effect on April 1, 2009. Since then? According to the GAO, roll-your-own tobacco sales have fallen 74% while pipe tobacco sales have increased more than nine-fold– from 3.2 million pounds to 30.5 million pounds a year. See more tweedy pipe-smokers these days? Nope. Neither did the GAO, which concluded: "The shift can be mostly attributed to consumers switching from using roll-your-own tobacco to pipe tobacco in roll-your-own cigarettes, rather than to a sudden increase in pipe smoking."

In fact, the GAO noted, manufacturers of roll-your-own tobacco products have simply re-branded their products as pipe tobacco by changing the packaging and labeling, while making minimal, if any, changes in the product. Sometimes, they're not even subtle about it. One manufacturer of "pipe tobacco" brazenly designed its label "with three-letter markings, to indicate to customer the product's similarity to brand-name cigarettes," the GAO found. So, for example, "pipe tobacco" marked MRD is supposed to roll into cigarettes that taste like the Altria Group's Marlboro Red and tobacco labeled CML is supposed to replicate Reynolds American Inc.'s Camel Light, the GAO reported.

The spurt in pipe tobacco sales has coincided with the spread of commercial roll-your-own machines. "By using pipe tobacco instead of roll-your-own tobacco, customers are able to save almost $9 per carton in federal excise taxes,'' the GAO noted. The savings can be even greater when state taxes are taken into account too. GAO testers visited a tobacco outlet store in Maryland and were able to roll a carton of 200 cigarettes in 8 minutes for $25, including state and federal taxes. In nearly retail stores, cartons of discount cigarettes were going for $51.50 and cartons of premium cigarettes for $69.50.

The Treasury knows what's going on, the GAO said, but is finding it difficult to come up with a rule that distinguishes true pipe tobacco from pipe tobacco that is meant to be rolled into cigarettes. Treasury proposed a rule that would force retailers who offer cigarette rolling machines to collect the higher cigarette tax as if they were manufacturers. But that rule has been blocked by a federal court. (Some states, in an effort to protect their own cigarette tax revenues, have been taking action to ban the machines.)

Meanwhile, since weight is the only thing that distinguishes a small cigar from a large one, cigar makers have simply increased the size of their stogies to qualify for the lower big cigar tax rate. The Treasury told GAO that it doesn't have legal authority to do anything about that.

So how much has this tax-avoidance-by-substitution cost Uncle Sam? The GAO estimated that the shift to pipe tobacco and big cigars means the fed has realized somewhere between $615 million and $1.1 billion less in taxes than if the product mix hadn't changed. The GAO didn't directly address whether the substitution had undermined the attempt to prevent price sensitive teens from starting to smoke. But it seems likely to have had that effect; the sales of roll-your-own and pipe tobacco combined have increased since the passage of the tax hike, the GAO noted.

Originally published here: http://www.forbes.com/sites/janetnovack/2012/04/18/federal-tax-hike-drives-roll-your-own-smokers-to-pipe-tobacco/

TOBACCO TAXES PROMPT SMOKERS TO SHIFT TO PIPES AND BIGGER CIGARS

By Michael Cohn
Accounting Today
April 19, 2012

The large differences in excise tax rates for various smoking products are prompting consumers with a tobacco habit to shift their smoking habits to pipes and larger cigars, according to a new government study.

A report by the Government Accountability Office attributed the change in smoker preferences to the Children's Health Insurance Program Reauthorization Act of 2009, or CHIPRA, which created opportunities for tax avoidance and led to significant market shifts by manufacturers and price-sensitive consumers toward lower-taxed products.

Monthly sales of pipe tobacco increased from approximately 240,000 pounds in January 2009 to over 3 million pounds in September 2011, while roll-your-own tobacco dropped from about 2 million pounds to 315,000 pounds.

During the same months, large cigar sales increased from 411 million to over 1 billion cigars, while small cigars dropped from about 430 million to 60 million cigars. According to government, industry, and nongovernmental organization representatives, many roll-your-own tobacco and small cigar manufacturers shifted to the lower-taxed products after CHIPRA to avoid paying higher taxes.

While revenue collected for all smoking tobacco products from April 2009 through fiscal year 2011 amounted to $40 billion, the GAO report estimated that federal revenue losses due to market shifts from roll-your-own to pipe tobacco and from small to large cigars range from about $615 million to $1.1 billion for the same period.

The Treasury Department has limited options to respond to these market shifts, the report noted. "Treasury has attempted to differentiate between roll-your-own and pipe tobacco for tax purposes but faces challenges because the definitions of the two products in the Internal Revenue Code of 1986 do not specify distinguishing physical characteristics," said the report. "Treasury also has limited options to address the market shift to large cigars and faces added complexity in monitoring and enforcing tax payments due to the change in large cigar tax rates."

Unlike cigarettes and roll-your-own tobacco, pipe tobacco and cigars are not currently regulated by the Food and Drug Administration and thus are not subject to the same restrictions on characterizing flavors, sales or distribution, the GAO noted.

In 2011, the FDA indicated that it intended to issue a proposed rule that would deem products meeting the statutory definition of "tobacco product" to be subject to FDA's regulation. However, the FDA has still not issued the proposed rule as of March 2012. FDA officials told the GAO that developing the rule was taking longer than expected.

In 2009, CHIPRA increased and equalized federal excise tax rates for cigarettes, roll-your-own tobacco, and small cigars. Though CHIPRA also increased federal excise tax rates for pipe tobacco and large cigars, it raised the pipe tobacco tax to a rate significantly below the equalized rate for the other products, and its large cigar excise tax can be significantly lower, depending on price. Treasury collects federal excise taxes on tobacco products.

Another law passed in 2009, the Family Smoking Prevention and Tobacco Control Act granted the FDA with regulatory authority over tobacco products.

The GAO report recommended that as Congress continues its oversight of CHIPRA and Tobacco Control Act implementation, it should consider equalizing tax rates on roll-your-own and pipe tobacco and, in consultation with the Treasury, consider options for reducing tax avoidance due to tax differentials between small and large cigars. The Treasury Department generally agreed with GAO's conclusions and observations.

Originally published here: http://www.accountingtoday.com/news/Tobacco-Taxes-Smokers-Pipes-Cigars-62379-1.html?zkPrintable=true

HIGHER CIGARETTE TAXES DROVE SMOKERS TO PIPE TOBACCO & CIGARS

By Chris Morran
Consumerist.com
April 18, 2012

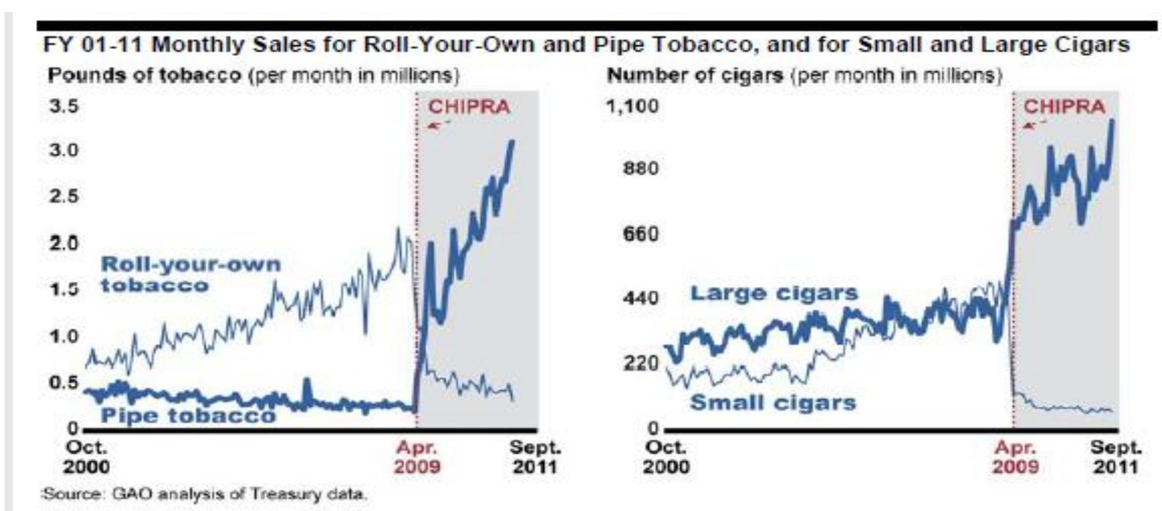
Among the intended goals of higher taxes on cigarettes is that some smokers will quit rather than deal with the increased cost. While this may happen, newly released numbers show that taxing cigarettes also drove up the sales of forms of tobacco that are taxed at lower rates.

The Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 increased and equalized federal excise tax rates for cigarettes, roll-your-own tobacco, and small cigars. It also increased the tax rates on pipe tobacco and cigars, but not to the level of the other items.

And so some savvy smokers realized there was money to be saved by simply switching to the less-taxed tobacco.

From the Government Accountability Office report:

"Monthly sales of pipe tobacco increased from approximately 240,000 pounds in January 2009 to over 3 million pounds in September 2011, while roll-your-own tobacco dropped from about 2 million pounds to 315,000 pounds. For the same months, large cigar sales increased from 411 million to over 1 billion cigars, while small cigars dropped from about 430 million to 60 million cigars."



The increased demand for pipe tobacco and large cigars was matched by manufacturers who cut down production on roll-your-own tobacco and small cigars in order to ramp up production on the items that had suddenly become popular.

In addition to the fact that people are still smoking, the GAO points out that the tax disparities "created opportunities for tax avoidance" as both consumers and manufacturers were choosing to focus on products that resulted in less tax revenue.

So what's to be done?

"Congress... should consider equalizing tax rates on roll-your-own and pipe tobacco," writes the GAO, saying lawmakers should also "consider options for reducing tax avoidance due to tax differentials between small and large cigars."

In some locations, rolled cigarettes are taxed by state and local governments at even higher rates than roll-your-own tobacco, leading to stores that specialize in providing rolling machines to budget-minded smokers.

Originally published here: http://consumerist.com/2012/04/higher-cigarette-taxes-drove-smokers-to-pipe-tobacco-cigars.html

TAXES CHANGE THE DEMAND FOR SOME FORMS OF TOBACCO

By Ken Black
Targeted News Service
April 19, 2012

Taxes related to some tobacco products have prompted some user to seek alternatives that did not carry the same tax burden, the Government Accountability Office revealed.

In a report titled, "Tobacco Taxes: Large Disparities in Rates for Smoking Products Trigger Significant Market Shifts to Avoid Higher Taxes" (Report No. GAO-12-475) the GAO said sales for pipe tobacco and large cigars posted the biggest increase from 2009 September 2011. At the same time, roll-your-own-tobacco products and small cigars showed a decline in sales.

Tax revenue collected from tobacco products amounted to nearly $40 billion from April 2009 through September 2011. However, the GAO estimated that, had there not been a shift to some lower-taxed items, the government may have taken in as much as $1.1 billion more than it did.

The GAO recommended that Congress consider equalizing tax rates on roll-your-own and pipe tobacco. It also recommended consulting with the Treasury Department to reduce tax differences between large and small cigars. The Treasury Department generally agreed with the recommendations.

"Given the tax differentials between using pipe tobacco and higher taxed [roll-your-own] tobacco, Treasury expects the increased demand for pipe tobacco to continue," said John H. Manfreda, administrator of the treasury's Alcohol and Tobacco Tax and Trade Bureau.

A full copy of the report is available at: http://www.gao.gov/assets/600/590192.pdf

Originally published here: http://targetednews.com/disp_story.php?s_id=1082710

SESSION-ENDING TAX DEAL EXPOSES A BIG WEAKNESS IN THE CASE AGAINST I-1053

By Erik Smith
Washington State Wire (State Political Blog)
April 18, 2012

As Lawmakers End a Tax Break for Banks, They Kick a Prop Out From Under a Legal Challenge to Two-Thirds Vote Requirement

You might not see anything ironic or even particularly funny about this year's tax legislation if you're one of the nation's biggest mortgage lenders, but if you follow the tit-for-tat in the Washington state Legislature, you can see that it wasn't just about ending a tax break for Wall Street banks.

By eliminating a longtime tax deduction for multi-state banks writing first mortgages in Washington, lawmakers may have kicked the props out from under a Democratic legal challenge to I-1053. That's the measure that requires a two-thirds vote of the House and Senate for any tax increase, and which has had a dramatic effect on the state Legislature. Since it was passed in 2010, the initiative has practically stopped any talk of big tax increases before they can get started, because Democrats don't have a big enough majority to pass them on their own.

The basis of the challenge? Last year lawmakers couldn't eliminate the bank tax break. And the problem? This year they did.

"The courts should be able to see that it is possible to do one of these bills," said House Minority Leader Richard DeBolt, R-Chehalis. "I don't think their case has legs to stand on."

It is the subtle legal issue that lurked in the background of the Republicans' surprising reversal this year on the banking tax break. By giving on that one and providing the votes to eliminate the tax break in the waning hours of the just-finished legislative session, they undermined the central argument in the high-profile challenge that was filed last year by 12 Democratic legislators, the Washington Education Association and the League of Education Voters, among others. In the scheme of things in the state Legislature, survival of I-1053 may have been judged more important. The two-thirds vote requirement has given minority Republicans power beyond their numbers in the Legislature, giving them the ability to block big tax increases that otherwise surely would have passed.

Democrats have been railing against the bank tax break for years, and they took the deal when Republicans offered it – though if you go back and watch those speeches from the final night of the session, you can see that at least a few of them understood what it did to their legal argument.

A Years-Long Battle

Washington voters have imposed the two-thirds requirement on the Legislature four times over the last 19 years, a necessity in a state where it is possible for lawmakers to repeal or suspend an initiative with a simple majority vote two years after passage. Where supermajority requirements are concerned, eventually they always do. The two-thirds requirement might be seen as an attack on whatever party is in charge of the Legislature. In Washington, about as blue a state as they come, that means the two-thirds rule is really a challenge to the Democrats who have controlled the Legislature and the governor's mansion for most of the last three decades. Many insist it is unconstitutional, because the state constitution says it takes a majority vote to pass a bill, and it doesn't say that additional requirements can be placed on the Legislature.

But getting the state Supreme Court to decide the issue – that's the problem. Every time voters pass the rule, someone files a constitutional challenge, and the court shoots it down for other reasons before that question can be addressed. Either the time isn't ripe and harm can't be shown, or plaintiffs otherwise lack standing to sue, or the court finds that the Legislature has other procedural remedies that haven't been exhausted. The latest challenge, argued in King County Superior Court last month, was supposed to be the strongest one yet.

The "Freshman Project"

It really started last May 17, the night before the 2011 session ended. Democrats were pushing a bill that would have eliminated the business and occupations tax deduction for large out-of-state banks, on interest they receive on first mortgages. Labor and activist groups had been making the bill the poster child for a crusade against tax "loopholes," stoked by furor over bank bailouts and the collapse of the mortgage business. But there was plenty of sympathy for the tax break in Republican ranks. The banking industry had agreed not to oppose a big tax increase in 2010, as long as the B&O tax break remained on the books. And those two tax hikes together would make Washington one of the highest-taxed states in the country for multi-state banks, possibly restricting the money available for loans.

The bill required a two-thirds vote, because eliminating a tax break is the same thing as a tax increase. And since there was no chance of passage whatever, first-term House Democrats twisted the knife by crafting a bill that would divert the new revenue to reducing class sizes in K-3 classrooms. "The freshman project," they called it. But that wasn't all. House Speaker Frank Chopp made a rare appearance on the dais that night, engaging in a scripted colloquoy with the freshmen. In response to their questions, Chopp said he had no choice but to demand a two-thirds vote, and if the bill got a majority but not a supermajority, he couldn't let it pass. If he did, he could be charged with malfeasance, he said, his own feelings about the rule notwithstanding.

"Having personally faced this ambiguity for 13 years, the speaker would appreciate clarification from the courts on how to resolve the differences between the provisions of the constitution and the statute," he said. In response to another question, he noted that while the House could overrule him, it couldn't declare the rule unconstitutional on its own.

The bill passed with 52 votes, a majority, but not the 66 votes required for a supermajority. Chopp ruled that it had failed. Not long after that the lawsuit was filed. It cited the banking bill as the prime example that proved the case.

Sails Through With Two-Thirds Vote

Fast-forward a year. Republicans changed their stand on the banking tax break, declaring that they had decided the case for it was weak. It became part of the deal that ended the session. It partially satisfied Democratic demands for new revenue, even though it represented only a modest $16 million this year because the housing market is in the doldrums. The repeal was embedded in a bill that extended and created other tax breaks, SB 6635.

A few of those House members who signed on to last year's lawsuit seemed to catch on to the legal implications when the bill came up for a vote in the wee hours, last Wednesday morning, just before adjournment. Several made speeches pointing out that this year's bill didn't divert money to education like last year's, which made it a different proposal, and their remarks had the sound of speeches designed for later interpretation by the courts. Said Christine Rolfes of Bainbridge Island, now a senator, "I voted for closing the tax loopholes on banks last year in order to generate revenue for smaller classroom sizes for elementary schools, and it failed because we couldn't get a two-thirds vote out of the House and never even got a vote in the Senate. So I want to point out to this body and anybody who may be listening that this bill makes it clear to me that the only way to get a two-thirds vote from the Legislature is to grant four additional tax loopholes in exchange."

But the bottom line was that the bill passed by the two-thirds vote required by law. It passed the Senate 35-10, and the House 74-24. Says state Rep. Ed Orcutt, R-Kalama, the House Republican lead on tax policy, "This Legislature has proven that when it is reasonable and appropriate, you can garner a two-thirds vote."

What Happens to the Case?

Exactly what happens to the I-1053 lawsuit is unclear. Passage of the tax bill doesn't exactly render the lawsuit moot, because the plaintiffs aren't asking the courts to rule specifically on the failure of last year's banking bill in the House. Even if that one is no longer an issue, the suit also cites a couple of other bills that failed in previous sessions for the same reason. Nor is the suit asking that the bills be declared passed. Rather, the remedy it seeks is that the two-thirds rule be overturned. But as for the thrust of the case, that's something else. The attorney general's office, which is defending the initiative, offers a rather clear summary: "Plaintiffs generally allege that the two-thirds supermajority vote provision of [Initiative 1053] has prevented the Legislature from enacting tax increases. Then then allege that the Legislature has been unable to increase, or has had to cut, state revenues for programs that plaintiffs support."

And now the Legislature has proven the argument wrong, says Michael Reitz, attorney for the Freedom Foundation, an Olympia-based free-market think tank. The vote demonstrated that the two-thirds vote isn't an insuperable hurdle. Generally speaking, he says the courts insist that cases regarding legislative procedure be ironclad before they weigh in on constitutional questions. The action this year demonstrates that lawmakers can find ways to live with the rule.

"I think it could pose some very significant problems for the challengers, because I think most judges would say, what are we here for now, since you've got what you want?"

Gov. Christine Gregoire says she thinks there's still a strong argument to be made against Initiative 1053 and supermajority requirements like it. If it hadn't been for the initiative, she says she would have pushed harder for tax increases this year, and she says it is the job of the Legislature to deal with questions like those. "The fact of the matter is you can't even think about raising revenue," she said.

But getting the court to rule on a philosophical question, rather than a legal one, may be a bit difficult.

A Different Challenge Possible

The interesting thing is that the action during the final hours of this year's legislative session sets up the possibility of a different kind of challenge to I-1053, although the prospect there might be a little distant. Lawmakers passed a bill that extends current manufactured-cigarette tax rates to "roll-your-own" cigarettes assembled by consumers, using high-tech cigarette-packing equipment that has been installed in 65 stores statewide. By selling tobacco that way, the stores have been able to charge the much-lower tax rate for loose tobacco. The smokes are half-price. Chopp and Lt. Gov. Brad Owen both ruled that House Bill 2565 "clarified" existing taxes, rather than raising them, and so only a majority vote was required. In the Senate, the bill passed 27-19 – a majority, but not two-thirds. The "R.Y.O." stores, as they are called, could file a suit seeking to declare the measure an improperly-passed tax increase. That raises the possibility that others might use it as a vehicle to ask the court to rule on the constitutional question. But Reitz notes the court could decide the legality of the tax without considering constitutional arguments. Another lawsuit, anyone?

Originally published here: http://washingtonstatewire.com/blog/session-ending-tax-deal-exposes-a-big-weakness-in-the-case-against-i-1053/

DID STATE LAWMAKERS PASS A TAX WITHOUT ACTUALLY CALLING IT A TAX?

By Robert Mak
KING-TV (Seattle, WA)
April 18, 2012

In their final budget deal, did state lawmakers pass a tax without actually calling it a new tax?
After last week's rush to pass a budget, now some opponents are accusing lawmakers of getting around Initiative 1053, which requires a two-thirds vote of the legislature to pass a new tax.

The legislature voted to tax "roll your own" cigarettes, a move the state expects will raise $12 million this coming year. Lawmakers say it was a "clarification"of an existing tobacco tax, and not subject to a supermajority vote, or two-thirds vote of the legislature.

The idea of rolling your own cigarettes is making a comeback with customers discovering that they can save 50 percent by avoiding the tax the state puts on packaged cigarettes.

But, I-1053 author Tim Eyman, says it should be considered a new tax.

"A bunch of people who weren't getting taxed before, are going to be taxed now. Sounds like a tax increase to me," said Eyman.

"Roll your own "cigarette stores say they may go out of business if they don't have a significant price advantage.

Original story and video here: http://www.king5.com/news/politics/Did-state-lawmakers-pass-a-tax-without-actually-calling-it-a-new-tax-148023655.html#

ROLL YOUR OWN CIGARETTES TAX BATTLE BREWING

KREM News (WA)
April 18, 2012

Smokers who roll their own cigarettes fired back at Washington lawmakers accusing them of cutting corners to implement higher taxes.

The legislature recently passed a measure taxing roll-your-own cigarettes at the same rate as pre-packaged cigarettes. They said it is one of the highest tax rates in the country.

Washington state requires a 2/3 majority vote for the legislature to pass a new tax. They said the roll-your-own tax isn't new; they just expanded an existing tax. They said it could bring in about $12 million per year in revenue.

Some roll-your-own cigarette stores said they may go out of business if they don't have a significant price advantage.

Original story and video here:
http://www.nwcn.com/home/?fId=148086485&fPath=/news/local&fDomain=10222

ROLL YOUR OWN CIGARETTES CREATING STIR

By David Freese
St. Tammany News (LA)
April 18, 2012

Machines saving smokers money, but create tax loophole legislators don't like

Tobacco Outlet, a new business that came to Slidell in January, has proven generous to local smokers' wallets. But legislators aren't happy about the state not receiving its share of state cigarette excise taxes.

On the national level, big cigarette corporations seem to be feeling the heat from small businesses like Tobacco Outlet, which have found a way to avoid the same state and federal taxes placed on pre-packaged cigarettes. It all began with the introduction of Roll-Your-Own filling stations, a patent-pending heavy duty all-in-one cigarette producing machine.

At Tobacco Outlet, 1325 Gause Blvd., Suite B, in Slidell, customers can rent one of two 750-pound compressor-run RYO filling stations for a rate of $10. The machines have a capability of spitting out 25 cigarettes per minute and an entire carton in just eight minutes. That's not all they can do for consumers looking to keep the habit economical.

Smokers like Slidell residents Tyler Nations, 42, and his friend Clay Branigan, 43, can buy a carton of cigarettes at Tobacco Outlet for nearly half the price of cartons sold at convenience and grocery stores.

"Twenty-six bucks a carton. That's what I heard," said Nations as he waited to rent a RYO machine in the Slidell smoke shop. "That's what I was curious about."

According to Nations, his friend Branigan introduced him to the Slidell store and was ecstatic to learn about the price difference. Originally, Nations was buying cigarettes by the standard 20-count boxes but said the shift to cartons was worth it due to the price deficit.

Nations is able to buy cigarettes so cheap because of a tax breach caused by the classification of tobacco being sold at Tobacco Outlet. On the federal level, tobacco specifically packaged for rolling cigarettes is taxed much higher than "pipe tobacco," which is sold at RYO shops like Tobacco Outlet.

The Slidell smoke shop offers hundreds of various cigarette possibilities from different types of filters, papers and even levels on how loose or tight customers want their smokes rolled. According to store employee Sean Rabalais, the shop matches smokers with what they already buy but at a much more affordable price.

"Hey, I smoke Marlboro Lights," Nations told Rabalais on Monday.

Rabalais then paired Nations up with a blend of tobacco much like the kind used to make Marlboro Lights. The tobacco was then loaded into a filling station by Nations to make cigarettes.

Customers at Tobacco Outlet pay all applicable sales taxes on all items like filters and paper but avoid state and federal taxes that are placed on pre-packaged cigarettes.

Because the machines pump out smokes at such a rapid rate, lawmakers are trying to reclassify what "manufacturer" means within the tobacco industry in order to implement manufacturer taxes on RYO machine retailers. RYO-machine providers claim they are not manufacturers but simply suppliers.

According to Davin Tran, spokesman for Tobacco Outlet in Slidell, customers at the shop have the product in their own hands, and the store should not be considered a manufacturer.

“You actually have the product in your hand. For that moment of time they’re on that machine, it’s theirs,” said Tran.

It’s a game of mix and match and smokers like the personal touch along with increased health benefits. Commercially produced cigarettes only contain 50 percent tobacco, with the other 50 percent being additives such as RECON (factory leftovers) along with expanded and reclaimed cigarette tobacco.

Tobacco Outlet employees Roxanne Sanchez and Rabalais said their customers brag about a smoother, flavor-rich and healthier smoke over commercial cigarettes.

“It’s just tobacco (with) no chemicals. It’s purer,” said Rabalais.

“I smoked these for a week. I guess five days into it I noticed I was feeling like I wasn’t smoking as much. Kind of odd,” said Branigan, who has been smoking for more than 20 years.

Besides a reputable price and a healthier smoke, customers commend the in-and-out appeal, even if it’s not the convenient gas station down the street.

Nationally, smokers have avoided high taxes placed on pre-packaged cigarettes by ordering their materials online, but according to Nations, it’s far too time consuming of a hobby.

“That doesn’t appeal to me. I don’t want to sit around rolling cigarettes all day. Here, I can get them rolled all at once,” said Nations.

The fight involving lawmakers and RYO smoke shops continues, with some legislators arguing health and safety issues. But to business owners, it all comes down to tax revenue and unhappy corporate giants.

“There’s no motive for the state to shut us down. The motive really lies within big tobacco companies,” said Tran.

Smoke shops like Tobacco Outlet which provide rental Roll-Your-Own filling stations sit timid as pending legislation could cripple their businesses.

Louisiana House Bills 1170 and 488 were both authored by Rep. Bob Hensgens and are aimed at controlling and defining the manufacture of tobacco.

HB 1170 proposes that only Roll-Your-Own tobacco defined in present law should be utilized in processing rolled tobacco in the cigarette rolling machines. If it passes, it means RYO customers could be subject to the same tax of pre-packaged cigarettes.

“Obviously, I’m not for it at all,” said Nations. “Soon they’ll outlaw homegrown vegetables.”

Also, under HB 1170 there is a segment that would force RYO machines to use only certain papers approved by the Louisiana Office of State Fire Marshal along with the obvious — placement of RYO business in a location that prohibits minors.

HB 488 is where the real arguing comes into play. If passed, this bill will amend Louisiana law, re-categorizing and expanding the definition of a “cigarette manufacturer” to anyone renting out RYO filling stations.

Nonetheless, smoke shops are worried because their revenue would not be able to adhere to the same strict regulations placed on cigarette manufacturers like Philip Morris, L & M and Parliament.

Hensgens did not return phone calls requesting comment on the two bills.

Originally published here: http://www.thesttammanynews.com/news/article_9cc4a516-88e0-11e1-b3fc-001a4bcf887a.html