



## DAILY NEWS CLIPS

May 29, 2012

### **WALLINGFORD ROLL-YOUR-OWN SHOPS DEAL IN LOW-COST CIGARETTES**

By Laurie Rich Salerno

Record-Journal (CT)

May 28, 2012

The controversial cigarette-rolling machines that state legislators and other officials say unfairly exploit a loophole in tobacco taxes have arrived in Wallingford.

Four-year-old Wallingford Tobacco in Yale Plaza has had one up and running for about a month, managers say. Two weeks ago, Big Cat's Smoke Shop opened a store with three of the machines, just a few shops away in the same complex.

A roll-your-own machine can process 200 cigarettes in under 10 minutes. A carton of roll-your-own cigarettes can cost less than half of the price of a packaged carton of cigarettes, because the product isn't taxed the same way as packaged cigarettes.

"In these economic times, (customers) are loving this," said Sharon Catlin, of Berlin. She and her husband, David Catlin, own Big Cat's in Wallingford and another location in Bristol.

Customers can buy a package of loose tobacco at the store, a separate package of paper tubes, pay a rental fee for the rolling machine, and a regular sales tax. Clerks explain how to use the machine — they can't operate it or physically help a customer, as it would change the classification. They also can't refer to the products as cigarettes for the same reason, instead calling them "cigs" or "smokes," according to Sharon Catlin. Customers dump the tobacco in, place the stack of tubes in another section and the machine spits out finished cigarettes.

The final product costs about \$35.

The price can't be beat, according to one 25-year smoker in Big Cat's who was using the store's machine for the first time. He said he switched from buying packaged cigarettes when Wallingford Tobacco got its own machine and was urging his girlfriend to do the same because it could save her about \$100 a week — about the cost of a car payment, he said. It also, he said, was a disincentive to quit, something he'd hoped to do.

But that good price — on what state Revenue Services Commissioner Kevin Sullivan says is virtually the same thing as a packaged carton of cigarettes — is unfair to "the poor guy down the street who is selling a pack of cigarettes and is required to charge a tax."

Connecticut Attorney General George Jepsen filed a lawsuit in August 2011 against one of the roll-your-own stores, Tracey's Smoke Shop and Tobacco, in Norwalk and Orange, alleging the store was "illegally manufacturing cigarettes" in commercial machines but not paying the appropriate taxes or manufacturing fees on them. A Superior Court judge ruled in February that the shops weren't manufacturers according to state laws.

The General Assembly's Finance, Revenue and Bonding Committee took the issue up, approving a bill April 3 to redefine roll-your-own stores as manufacturers. The measure died on the state Senate floor, but legislators say they plan to revive it during a special session that begins June 12.

The issue — according to Sullivan and state Rep. Mary Mushinsky, D-Wallingford, who is on the finance committee and was one of the bill's supporters — is about being fair to businesses that sell traditional cigarettes and retaining millions of dollars the state gets each year in tobacco settlement money.

As part of a 1998 settlement with large tobacco companies, a portion of the taxes the state collects on traditional cigarettes goes to a fund that then distributes millions of dollars back to the state to fund smoking-cessation programs and health-care costs, according to Sullivan. The roll-your-own stores are not contributing to that fund, which could destabilize the entire fund, according to officials.

"If one group is paying in and another isn't, it isn't fair, and it puts the whole fund at risk," Mushinsky said. "You've got to address it before we get a proliferation of these things." She said she plans to raise the issue in the June special session. Under terms of the bill, the roll-your-own shops would have to pay 2.82 cents per cigarette they sell and a yearly \$5,250 license fee for manufacturers. The rules could go into effect as early as July 1.

Mushinsky's Republican opponent in the 85th House District in the November election, Greg Bachand, said he wasn't familiar with the issue, but would likely vote against further taxation.

"My position would generally be private enterprise over regulation," Bachand said. "I believe shops like this one should be left alone."

Sharon Catlin said she hopes the legislation won't go through.

"I don't feel I am a manufacturer," Sharon Catlin said. "You can go up to the gas station and get a rolling machine — are they going to charge them a tax?"

Sullivan said the new legislation would apply only to shops with large-scale machines.

"It isn't really roll-your-own individuals rolling cigarettes, that's not the problem," Sullivan said.

In April, when the proposed legislation was drafted, there were fewer than 15 roll-your-own stores in the state, the legislator said, but the number is growing.

Big Cat's store in Bristol has been open for about six months, owners say, and it has been so popular they decided to open the second location in Wallingford. The store gets about 80 customers a day, according to Michael Hatzisazuas, a partner in the Bristol store.

The Big Cat's owners came out of the restaurant business. Catlin used to own the Kensington Cafe in Berlin, which she said she sold in December, and Hatzisazuas is the former owner of pizza restaurants. The roll-your-own shops idea came to Hatzisazuas after he saw rolling machines in Florida. Each machine costs about \$35,000.

Kashif Akbar, manager of Wallingford Tobacco, said his smoking lounge, cigar and cigarette shop purchased its machine because customers were asking for it. "Everybody was asking for these machines; it's a new trend."

If the law changes to define the roll-your-own stores as manufacturers, the price would go up, and Akbar said he can't see how anyone would choose to wait for a roll-your-own product if they could buy prepackaged cigarettes for the same price.

Hatzisazuas said he couldn't really see how his shops could remain open if the legislation is passed. He said the store already pays much in taxes to the state, including 50 percent on loose tobacco, and regular sales tax.

"If they pass it, we can't make money," he said.

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## **HOUSE OKS CIGARETTE TAX HIKE**

By Rick Pearson

Chicago Tribune

May 25, 2012

*Chicagoans may have to pay nearly \$11 per pack*

Smokers are likely to pay \$1 more a pack after the Illinois House on Friday approved a cigarette tax increase to avoid even deeper cuts to health care for the poor.

The House has long been the stumbling block to higher tobacco taxes, so the 60-52 vote is viewed at the Capitol as tantamount to passage. The bill now moves to the Senate, where Democrats in the past have backed raising the cigarette tax.

The \$1 increase would bring the state cigarette tax to \$1.98 and push the cost of smokes to nearly \$11 a pack in some parts of Chicago. Friday's vote came a day after lawmakers approved \$1.6 billion in cuts to taxpayer-subsidized Medicaid services. If the tax increase had failed in the House, lawmakers would have had to look for more cuts.

"Today's action will improve the health of our people and lower the burden of smoking-related conditions on our Medicaid system, while helping to fill the \$2.7 billion Medicaid shortfall and stabilize the system for those that need it," Gov. Pat Quinn said in a statement.

The tobacco debate unfolded as House members appeared poised to take action as early as Saturday on plans for a revamp of public employee pensions, which have been major drivers of spending in a state that can't pay its bills and has the nation's most underfunded retirement plan.

House Speaker Michael Madigan is hoping to reduce automatic compounded cost-of-living increases to save billions. Madigan's concept, which he unveiled during an interview with the Illinois Channel website, offers government workers a choice. They could opt for a pension plan that would pay less to future retirees but guarantee access to state health insurance, or lose access to state health insurance and keep getting annual cost-of-living increases though future raises would not be included in calculating their pension.

Under discussion are plans that would allow current retirees to keep their state health insurance by taking a lower cost-of-living increase. Those who continue accepting the 3 percent adjustments would have to find their own health insurance.

A provision to raise the retirement age for state employees from 65 in most cases to 67 was dropped from negotiations. In addition, Madigan is pushing a plan to force local school districts and public universities to pay into state retirement plans, something that could boost local property taxes and tuition rates.

Also Friday, senators sent the House a measure that would force local governments to pick up the tab if it hires a former lawmaker for a short-term job with a big salary that automatically increases a state pension.

The measure was prompted by a pension-sweetening deal discovered by the Tribune and WGN-TV in which former Rep. Robert Molaro, D-Chicago, nearly doubled his pension by working one month as an aide to powerful Chicago Ald. Edward Burke.

But it was the tax increase that took Friday's spotlight in Springfield. The cigarette tax hike had long been viewed as a key but controversial component of Illinois' Medicaid funding problem. Under the plan, the state also would tax small cigars at the same rate as cigarettes. Taxes would hit so-called roll-your-own cigarettes, and the levy on other tobacco products would double.

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## **STATE HOUSE VOTES TO ADD \$1 TO PACK OF CIGARETTES TO HELP MEDICAID**

By Dave McKinney and Andrew Maloney

Chicago Sun-Times

May 26, 2012

Another major reform to the state's Medicaid program fell into place for Springfield lawmakers Friday with House passage of a \$1-per-pack cigarette tax increase to help plug a \$2.7 billion hole in the state's health-care program for the poor.

The bill needed 60 votes to advance through the chamber and just reached that number, passing by a tally of 60-52. It now moves to the Senate, which passed a \$1-a-pack cigarette tax hike in 2009.

After both chambers voted to send Gov. Pat Quinn a bill on Thursday that cut \$1.6 billion in the program, legislators agreed to a tax on cigarettes and other tobacco products that supporters say will generate \$800 million.

“This is an important revenue-generating measure so that we do not have to make further cuts in Medicaid,” said House Majority Leader Barbara Flynn-Currie (D-Chicago), the chief sponsor of the tax legislation.

The move represents a victory for Quinn, who earlier this year pressed legislators to hike cigarette taxes as part of a broader push to reel in the state’s burgeoning Medicaid program.

“Today’s action will improve the health of our people and lower the burden of smoking-related conditions on our Medicaid system, while helping to fill the \$2.7 billion Medicaid shortfall and stabilize the system for those that need it,” Quinn said in a statement afterward.

The House vote also marks a dramatic turnaround from the last time the chamber tried raising cigarette taxes. A bid to hike the cigarette tax by \$1.01 a pack in January 2011 failed in the House by a 51-66 vote. The state’s 98-cent-a-pack cigarette tax has been in place since 2002, and Illinois rests in the middle of the pack nationally among states with cigarette taxes. New York has the highest state cigarette tax in the country at \$4.35 a pack.

In addition to cigarettes, the current legislation increases the tax on packs of “roll-your-own” cigarettes, “little cigars” and moist snuff from 18 percent to 36 percent of the product’s price.

Additionally, private Illinois hospitals would give the state a total of \$290 million, with \$50 million of that going to Medicaid and an additional \$50 million from matching federal dollars.

In return, public hospitals would receive a tax credit equal to their property tax liability or the amount of free or discounted services they provided during the previous year. Private hospitals would also be exempt from sales and property taxes if the amount of charity they provide is greater than their property tax liabilities.

The tobacco taxes together with matching federal money would bring in \$700 million, and the hospital assessment money going toward Medicaid would be an additional \$100 million.

The bill drew bipartisan backing, drawing 17 Republican votes and 43 Democratic votes.

In other action, the Senate approved legislation favored by Mayor Rahm Emanuel and Cook County State’s Attorney Anita Alvarez to arm county prosecutors with a new weapon to combat street gangs.

The bill sponsored by Sen. Antonio Munoz (D-Chicago), which passed 46-1, with six members voting present, would create a state-level racketeering law similar to what federal prosecutors have at their disposal.

“This tool will be utilized to go after the leaders,” Munoz said.

In a prepared statement, Emanuel said the legislation, which now moves to the House, “will close loopholes that have allowed violent gang leaders to escape punishment for their crimes. If someone wants to be part of a gang, we will hold them responsible for the actions of the entire gang. This law sends a clear message: the streets of Chicago belong to the law-abiding residents of Chicago.”

*Originally posted here:* <http://www.suntimes.com/news/politics/12772730-418/state-house-votes-to-add-1-to-pack-of-cigarettes-to-help-medicaid.html>

## **CIGARETTE TAX HIKES BRING IN FAR LESS REVENUE THAN PREDICTED**

Letter to the Editor by Thomas A. Briant, Executive Director, National Association of Tobacco Outlets  
Chicago Sun-Times  
May 28, 2012

Gov. Pat Quinn and other lawmakers should rethink their decision to raise the state's cigarette taxes by \$1 per pack and double the tax on cigars, pipe tobacco and smokeless tobacco to fund Medicaid costs. It is an idea that has failed in many states that have tried to balance budgets with cigarette and tobacco tax increases.

Our experience at the National Association of Tobacco Outlets, a trade organization representing more than 23,000 retail stores across the U.S., is that cigarette and tobacco tax increases generate far less revenue than their proponents predict. Moreover, the tax hike robs retailers, many of them small mom-and-pop stores, of tens of thousands of dollars in lost sales. Unfortunately, lost sales often lead to lost jobs. For example, of the 19 states that passed a tobacco tax increase between July 2006 and July 2009, 14 fell short of the estimated revenue increase, and 11 of those missed projections by at least 19 percent. Also, this year more than 20 states have introduced bills to raise cigarette taxes, but not a single legislature has passed an increase.

If the \$1 per pack tax increase is passed by the Legislature, Illinois will be adjacent to four states with lower cigarette taxes. Adult smokers will simply drive and save \$6.20 per carton of cigarettes in Iowa, \$18.10 per carton in Missouri, \$13.80 in Kentucky and \$9.85 per carton in Indiana. This means both retailers and the State of Illinois lose. Moreover, when smoking customers stock up on cigarettes in neighboring states, they also take with them the sales of gasoline, food and sodas they typically buy while stopping to purchase tobacco products.

For small mom-and-pop businesses that count on smoking customers for over a third of their revenue each year, and for retailers who sell mostly tobacco products, this will be devastating.

While some proponents argue that higher taxes encourage smokers to quit, the truth is that most smokers do not. When Florida increased its tax by \$1 per pack in 2009, retailers in north Florida saw an average 24 percent decline in cigarette sales, while retailers in southern Alabama and Georgia saw their sales increase by 4 percent and 19 percent, respectively. This clearly demonstrates that smokers are more than willing to cross borders to buy cigarettes and other items. If you are a nonsmoker, you may wonder why you should care about this issue. The reason is this: Your state government is unwisely counting on a declining revenue source to make up for Medicaid deficits. It is only a matter of time before they raise taxes on other goods and services.

The association is asking Gov. Quinn and legislators to use their wisdom and drop any proposals that increase cigarette and tobacco taxes. With this being an election year, Gov. Quinn has chosen to increase the most politically expedient tax where only a minority of voters will pay a higher tax to help fix a statewide budget problem. If Gov. Quinn desires to resolve the Medicaid deficit with tax increases, then fairness should require that he recommend a tax increase that falls broadly across all citizens, and not just the 23 percent of adults who choose to use tobacco products.

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## **SORRY, GROVER**

Blog Post by Rich Miller

Capitol Fax (IL)

May 28, 2012

As state legislative support for a cigarette tax hike grew in late May, anti-tax crusader Grover Norquist and other conservatives stepped into the Illinois fray.

A top House Republican said over a week ago that the roll call in favor of a dollar a pack cigarette tax hike was in the double digits within his caucus. The tax would raise \$700 million, including the federal match, to help close the Medicaid program's gaping \$2.7 billion budget hole.

In return, Republicans won concessions from the Democrats, particularly when it came to sparing doctors from Gov. Pat Quinn's proposed Medicaid provider rate cuts.

For the past several decades, the House Republicans' most reliable campaign supporter has been the Illinois State Medical Society. The House GOP always sticks with the docs, no matter what. The Medical Society was against last year's workers' compensation reform agreement that the Senate Republicans, including former gubernatorial candidate Bill Brady, supported. The House Republicans sided with the doctors and took a hard line against it. The decision not to cut physicians' Medicaid payment rates was a huge win for the House Republicans, so they agreed to put votes on the cigarette tax.

Norquist is probably best known for his anti-tax pledge that most Republican members of Congress have signed, and that he aggressively holds them to whenever they start thinking about revenue enhancements. Norquist first allied himself with tobacco companies in the 1990s as part of the national Republican effort to defeat President Bill Clinton's health care proposal, which was funded in part by a cigarette tax hike. He has since fought against cigarette tax hikes in numerous states.

Cigarette tax hikes are by far the most popular tax increases with the public. A poll of southern Illinois voters taken by the Paul Simon Public Policy Institute last year found that 60 percent of them backed a dollar a pack tax hike. A statewide poll taken in 2010 found that 74 percent of Illinoisans - including 71 percent of Republicans - supported a dollar per pack tax increase.

But Joshua Culling, the state-affairs manager for Norquist's group, wrote that Cross' caucus could "ruin the GOP brand in the state for a generation" if it backed the cigarette tax increase. "Tom Cross seems content to cut a deal that will further imperil Illinois's economic outlook while simultaneously eroding the national party's messaging on the toxicity of Obamacare," Culling wrote.

Since April, Cross has done several public events outside Springfield and Chicago to urge that President Obama's health care reform bill be repealed and said he was adamantly opposed to any moves in Illinois to implement the federal law. That refusal led directly to the death of a bipartisan effort by Democratic state Rep. Frank Mautino to set up a health insurance exchange in Illinois.

But Cross' attempts at appeasing his party's right wing apparently didn't go far enough. In a letter sent to supporters, the Illinois Policy Institute's director singled out Leader Cross for criticism, saying the Medicaid proposal "destroys the credibility of leaders who talk about economic freedom only to vote in favor of more heavy-handed government."

And the United Republican Fund, one of the oldest and most conservative GOP organizations in the state, also sent out a press release about the Medicaid compromise and the cigarette tax hike. "The time has come for legislators to stop being the unwitting (or intentional) co-conspirators in the slow demise of our great state. The time has come for leadership and courage. For statesmen instead of politicians. For competence instead of compromise."

The Republican Party's more pragmatic, governing wing has been in full retreat for the past few years as national politics has invaded state government as part of the GOP's messaging against the President from Illinois. That aggressive national push has resulted in far more Illinois Statehouse partisanship, so legislators who supported cigarette tax increases in the past, like Senate Republican Leader Chris Radogno, are now vocally against any tax hike of any sort. Her caucus is even against a proposal to close a loophole that allows commercial roll your own cigarette operations to avoid most state sales taxes.

But, in Illinois, some things still trump national party interests. The Medical Society is one of those things. Sorry, Grover. You may have all the Washington, DC Republicans scared out of their wits, but things are a little different here.

Originally published here: <http://capitolfax.com/2012/05/28/sorry-grover/>

## **PROP. 29 LOSING VOTER SUPPORT, THOUGH CIGARETTE TAX REMAINS POPULAR**

By Albert Samaha

SF Weekly – San Francisco, California

May 25, 2012

What can you get for \$42 million?

A penthouse apartment at the top of the St. Regis. Six years of Adonal Foyle. Roy Lichtenstein's peephole painting.

Also, a 14 percent drop in support for Proposition 29, which would raise the cigarette tax and fund cancer research.

In March, a poll by the Public Policy Institute of California showed that 67 percent of California voters supported Prop 29. This week, after two months of campaigning, a new PPIC poll showed that just 53 percent supported the ballot measure.

Perhaps a chunk of California voters have come to the realization that raising a cigarette pack's price by \$1 to pump an annual \$735 million into cancer research isn't a sensible thing to do.

Or perhaps the onslaught of Big Tobacco-funded media time has muddied the issue and changed minds using bonus-word rhetoric such as "bureaucracy," "political appointees," and "our tax dollars."

Supporters of the measure have contributed \$11.1 million to the campaign in favor of Prop 29. Opponents have donated \$42.7 million to the campaign against it.

The anti-29 rhetoric has been effective. How do we know this? Voters are not necessarily turning against raising the cigarette tax; voters are simply turning against Prop. 29. According to PPIC's polling, there is a disconnect between how voters feel about Prop. 29 and how they actually feel about a cigarette tax. Though 53 percent professed support for Prop. 29, 63 percent were in favor of "increasing taxes on cigarette purchases," which is the same percentage as in the March poll.

Those "No on 29" radio and TV ads, of course, aren't anything innovative, just the classic issue political persuasion attempt. The top radio one, for instance, mentions about how we don't need another Big Government Tax-Hike, don't need more money wasted on inefficient Government Bureaucracy. It does not mention a single word about cigarettes.

One of the TV ads features a white-coated woman-- Dr. La Donna Porter, M.D. -- who says that she was in favor of Prop. 29 (just like you!), until she learned that "not one penny" goes toward cancer treatment. "Instead it creates a huge new research bureaucracy."

Supporters of the proposal note that the money is going to research and not treatment because the cure for cancer has not been found.

The top of the donor list for Prop. 29 include the American Cancer Foundation (\$7.4 million), the Lance Armstrong Foundation (\$1.5 million), the American Heart Association (\$546,000), and billionaire New York City Mayor Michael Bloomberg (\$500,000), whose campaign against cigarettes has helped bring his city the strictest smoking regulations and highest tobacco taxes in the country (it'll cost you \$15 for a pack in Manhattan).

The top of the other donor list reads like a Potential Clients to Target board at Sterling, Cooper, Draper, Price: Altria/Philip Morris (\$24 million), R.J. Reynolds (\$11 million), Smokeless Tobacco (\$2.6 million), Reynolds-division American Snuff Company (\$1.75 million), Reynolds-division Santa Fe Natural Tobacco Company (\$1.1 million), and the California Republican Party (\$1.1 million).

Prop. 29 will be on the presidential primary ballot on June 5.

*Originally published here:* [http://blogs.sfweekly.com/thesnitch/2012/05/poll\\_smoking\\_prop\\_29\\_change.php](http://blogs.sfweekly.com/thesnitch/2012/05/poll_smoking_prop_29_change.php)

## **ALTRIA'S NEW CEO, CHAIRMAN SETTLES INTO ROLE**

Convenience Store News

May 25, 2012

Martin J. Barrington has taken his seat as chairman and CEO at The Altria Group Inc. He formally took title to roles at the company's 2012 Annual Meeting of Shareholders last week.

"I am very excited about Altria's future," Barrington said at the annual meeting. "The company has a unique combination of terrific and profitable brands, a strong and diverse balance sheet and truly talented people to drive growth into the future. I'm honored to have the opportunity to lead this company."

Barrington succeeded Michael E. Szymanczyk, who announced in January he would retire immediately following the May 17 annual meeting, as CSNews Online previously reported. Szymanczyk joined the company 23 years

ago and served as chairman and CEO of Altria for four years, and president and CEO of Philip Morris USA (PM USA) for 12 years.

The board of directors was ready for his retirement, immediately revealing a succession plan was in place. That plan called for Barrington to move to chairman and CEO and David R. Beran to be Altria's president and COO.

"I am very pleased that our board has elected Marty Barrington to succeed me as chairman and CEO," Szymanczyk said. "And I am equally pleased that they have elected Dave Beran to work with Marty as president and chief operating officer. Marty and Dave have made significant contributions in a variety of roles over the years. Their talent and experience give the board, and me personally, great confidence in their ability to lead Altria through its next phase of growth."

Barrington joined Altria in 1993. His previous positions at Altria Group include vice chairman and executive vice president; and chief compliance and administrative officer. Previous to those positions, he was general counsel and senior vice president for Philip Morris International; and general counsel and senior vice president for PM USA.

Before joining Altria, Barrington practiced law in both the government and private sectors. He serves on the board of directors of the Richmond Performing Arts Center, the boards of trustees for the Virginia Museum of Fine Arts and The College of Saint Rose, and on the advisory board of the Points of Light Institute. He is also a former Commissioner for the Virginia Port Authority.

As president and COO of Altria, Beran also oversees PM USA, U.S. Smokeless Tobacco Co., John Middleton, Altria Group Distribution Co. and Ste. Michelle Wine Estates. He also leads the marketing and consumer research, procurement and information services organizations at Altria Client Services.

Beran joined Altria 1976. His previous positions at the company include vice chairman for Altria Group; executive vice president and chief financial officer for Altria; executive vice president and chief financial officer for PM USA; and executive vice president of finance, planning and information for PM USA.

In the community, he serves on the board of directors for the Richmond Ballet.

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