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Testimony of James S. Calvin, President
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Concerning the 2010-2011 Executive Budget
before the

SENATE COMMITTEE ON FINANCE
Hon. Carl Kruger, Chairman

ASSEMBLY COMMITTEE ON WAYS & MEANS
Hon. Herman D. Farrell Jr., Chairman

February 1, 2010, Albany NY

Chairman Kruger, Chairman Farrell, honorable Members of the Committee, thank you for the opportunity to speak today.

I appear on behalf of 7,500 neighborhood mini marts and convenience stores that sell products that are perennially targeted for higher taxes.

The state excise tax on cigarettes, for example, has quintupled in the past decade. As a direct result, cigarette tax evasion has become so pervasive that half the cigarettes consumed in New York today are purchased without payment of any state tax whatsoever¹.

Yet the new Executive Budget recommends another dollar-a-pack increase. This would be a mistake. It would succeed only in driving more smokers to the tax-free side of the street – costing our stores even more business, costing our State even more revenue, and further thwarting the campaign to reduce smoking. All because of the price differential created by the exorbitant tax.

The lesson? Any tax that is sufficient in size to compel consumers to change their consumption of a product is equally sufficient to compel them to shift their purchases to places where they can readily buy the product without paying the higher tax-included price.

Enter the over-sized “obesity tax” on sugar-sweetened beverages now proposed by Governor Paterson. It would artificially add at least \$1.50 to the retail price of a typical 12-pack of non-diet Coke or Pepsi cans, nearly 10 times the state excise tax on a 12-pack of beer.

The price differential would chase our customers away to neighboring states that have no such tax, or to nearby Native American stores who ignore state taxes altogether, replicating the cigarette tax evasion epidemic that has crippled our industry and drains One Billion Dollars a year from New York State coffers.

Based on our painful – and continuing – experience with cigarette taxes, we firmly believe this beverage tax would further damage tax-collecting retail businesses, deplete rather increase state revenue, and defeat the public health policy objective. We strongly urge you to reject it.

Thank you for keeping the views of the convenience store community in mind.

¹ “An Update – Additional Cigarette Tax Revenue Sources For New York State,” Brian P. O’Connor, Ph.D., March 2009, www.nyacs.org/documents/09OConnortaxstudyupdate.pdf, Table 3, Demand for Cigarettes in New York State