



New York Association of Convenience Stores

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## **‘Self-Defeating’ County Cigarette Tax Would Hurt Taxpayers, Businesses, Public Health**

Hiking cigarette taxes to give counties a new revenue source is an ill-conceived idea that would backfire financially, hurt licensed neighborhood mini-marts, and thwart public health policy objectives, according to the New York Association of Convenience Stores.

NYACS vowed to oppose state legislation (Assembly Bill 7180) introduced by Assemblywoman Earlene Hooper of Nassau County that would authorize Nassau, Suffolk, Rockland, Westchester, Orange, Putnam, Dutchess and Rensselaer counties to impose a local tax of up to \$2 per pack on cigarettes *on top of* the existing \$1.50-a-pack state excise tax.

“Licensed, tax-collecting retailers have been ravaged by cigarette tax evasion,” said NYACS President James Calvin. “It’s far too easy for New Yorkers to get cigarettes somewhere else without paying any state or local tax at all. Any further tax increase would be utterly self-defeating.”

Alarming, at least half the cigarettes consumed in New York State today have been purchased from untaxed, unlicensed, unregulated sources – most notably, Native American stores, the Internet, and black-market entrepreneurs.

“Simply put, the higher the taxes, the greater the level the tax evasion,” said Calvin. “Cigarette tax evasion is an epidemic that already costs the State of New York nearly \$1 billion a year in lost tax revenue, and costs legitimate mom-and-pop stores hundreds of millions more in lost sales they can never get back.”

Calvin said that in considering the merits of this additional layer of taxation, the following impacts bear careful examination:

**Public Health Policy: Adult Smoking** – “If the rationale for higher cigarette taxes is to compel smokers to quit by making smoking too expensive, forget it. In New York State, it’s an exercise in futility. Smokers don’t quit smoking, they just quit coming to licensed stores like ours to buy their cigarettes, and instead turn to unlicensed, unregulated sources to avoid paying the exorbitant tax. Policy defeated.”

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**Public Health Policy: Youth Access** – “At our stores, the counties do a fine job of enforcing the state law prohibiting sales of tobacco to minors. But higher taxes would drive more cigarette purchases beyond the reach of that monitoring system – to Native American outlets, the Internet, and the black market, making the risk of underage sales exponentially higher. Policy defeated.”

**Revenue Impact** – “Illustrating the self-defeating nature of cigarette tax hikes, the State of New York, with its current \$1.50-per-pack excise tax on cigarettes, collected \$86 million in revenue in August 2006. In August 2001, five years earlier, it collected \$99 million in cigarette excise taxes –\$13 million *more* – yet the tax rate then was only \$1.11 per pack. *Higher* tax rate, *less* revenue. Would you really want your county budget to rely on that kind of funding source?”

**Revenue: Existing Sales Tax** – “These eight counties already collect between 4% and 5% sales tax on every licensed sale of tobacco products. Have they analyzed the net impact on tax revenue? To what extent would the gain in cigarette tax per pack of cigarettes sold in tax-collecting stores be offset by the loss of all sales tax revenue on purchases of cigarettes and other merchandise that shift to untaxed outlets?”

**Impact on Non-Smoking Taxpayers** – “Cigarette tax evasion negatively affects every taxpayer, because non-smokers essentially end up subsidizing the ‘tax-free’ purchases of smokers. Heightened levels of tax evasion triggered by introducing a county-level tax would exacerbate this injustice.”

**Impact on Neighborhood Stores** – “Tobacco has historically been a major product category for us. But many neighborhood stores in these counties have lost 30% to 50% of their cigarette volume since the state tripled its excise tax in 2000 and 2002 – not because people quit smoking, but because tens of thousands of smokers shifted their purchases to tribal stores, the Internet, and the black market to avoid paying the tax-inflated price. Compounding the economic impact is the loss of sales of other products these cigarette customers often would buy. Imposing a new county tax would simply chase more of our customers into the arms of these unregulated, ‘tax-free’ outlets. Our law-abiding members simply could not, and should not have to, withstand further losses in legitimate, taxable tobacco and ancillary sales to unlicensed, unscrupulous competitors who are already reaping financial benefits from short-sighted state tax policy,” Calvin said.

“Thorough and objective analysis of this issue will prove that, given the uncontrolled scourge of readily available ‘tax-free’ cigarettes, higher cigarette taxes would be a lose-lose-lose proposition for county taxpayers, licensed small businesses, and public health policy.”

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*The New York Association of Convenience Stores (www.nyacs.org) is a private, not-for-profit trade association representing 7,000 neighborhood mini-marts and convenience stores licensed by the State of New York to responsibly sell legal tobacco products to adult customers.*