



Enforce the Law - Collect the Tax Coalition

New York today faces a catastrophic budget crisis. With a projected budget deficit this fiscal year of \$2 billion and over \$8.2 billion next, deep budget cuts threaten to affect the delivery of essential government services like education, law enforcement, healthcare and transportation.

Something is seriously wrong with this picture:

- New York stands virtually alone in its practice of *not collecting any excise taxes on cigarettes sold through Native American reservations to non-tribal members.*
- With the unemployment rate at almost 9 percent, and with teachers, correction officers and health care jobs on the chopping block – this policy is simply absurd.
- This policy has led to a huge revenue loss for the State – and a huge burden for New Yorkers. While estimates vary, a March 2009 study by the New York State Association of Convenience Stores pegs the loss of tax revenue at \$1.6 billion.

The solution is simple. Before you cut jobs, before you cut essential services and before you raise any fees or taxes, enforce the law and collect the tax.

Selective tax collection has been a total disaster for New Yorkers:

- The State allows about 180 retailers located on reservations to purchase and resell into New York commerce unlimited supplies of untaxed cigarettes, giving these outlets an enormous advantage.
- These outlets now sell *one-third* of all cigarettes in New York – none of it taxed. That's over 240 million packs per year – or about the same volume that moves through the *entire State of New Jersey.*
- *The retailers that do pay taxes – some 22,000 in all – have seen their business shrink, at a time when they and their employees are facing an already brutal economy.*
- *The abundant supply of untaxed and unstamped cigarettes is fueling illegal cigarette smuggling by criminal organizations, some with ties to terrorism, and some who sell untaxed cigarettes on street corners in New York City.*

So what's the solution? It's simple. Enforce the law – collect the tax. The Department of Tax and Finance can start collecting the tax immediately by issuing coupons that are required under a law – Tax Law 471-e – that was passed several years ago. The Legislature should pass a simple bill to impose a hard deadline on the Department to do just that.

What about the regulations that were recently proposed? While these steps signal a step toward tax collection, the Administration's current budget proposal still does not reflect any revenue projections from these actions; the proposed regulations make no reference to implementation of the coupon system; and these are just proposed regulations that are subject to change or abandonment before they are actually adopted. Rather than rely on these proposals, let's act now. Enforce the law – collect the tax.