

# Calvin's Commentary

## Chicken Feed?

James S. Calvin, President  
New York Association of Convenience Stores



So Governor Paterson thinks our numbers are “bloated.”

We commissioned a respected economist, Brian P. O’Connor Ph.D., to quantify the magnitude of cigarette tax evasion on Indian lands in New York. His March 2009 report showed the State would generate \$1 billion a year in additional revenue by enforcing the existing law requiring collection of taxes on tribal sales of cigarettes to non-Indian customers.

Nevertheless, Governor Paterson, who like his predecessors refuses to enforce the law in defiance of the Constitution, recently told reporters at an open meeting with legislative leaders on the current \$4 billion budget deficit that such eye-popping estimates are “bloated projections.”

He went on to say that “no state has collected more than \$75 million from Indians.” The subliminal message being that the collectible amount is chicken feed in relation to the deficit, and compared to what those lunatic convenience store guys claim, so why bother?

How, then, does the Governor explain a state Health Department report saying that “revenue lost to the state as a result of purchasing low price (mainly untaxed) cigarettes was estimated to be between \$436 million and \$576 million in 2004”?

How does he explain the City of New York’s estimate that the city alone is losing \$195 million a year due to sales of cigarettes on Indian reservations to the general public? Its local cigarette excise tax is \$1.50 a pack; the state’s is \$2.75.

How does he reconcile his comment with sworn testimony by his counsel the following week to the Senate Investigations Committee that the tax value of full enforcement of the law would be around \$225 million a year?

And how does he explain a letter by the state Tax Commissioner saying cigarette tax evasion was costing the State of New York upwards of \$100 million a year in lost tax revenue? The letter was written by then-Commissioner Michael Urbach back in *March 1997*, when the cigarette tax rate – also known as the financial incentive for smokers to avoid the tax – was only 56 cents a pack, less than one-fifth of what it is now.

So, how much additional revenue *would* collecting applicable taxes on Indian sales really generate for New York – \$75 million? \$225 million? \$576 million? Up to \$1 billion?

We’ll never know until you try, will we Governor?