

March 27, 2012

ATTACKING TOBACCO SHOPS

RYO CEO Phil Accordino is interviewed by Scott Sloan of WLW 700-AM in Cincinnati, Ohio.
March 26, 2012

Scott talks with Phil Accordino, President of RYO Filling Station, about the government's attack on small cigarette accessory companies.

Find the entire interview here: http://www.700wlw.com/common/podcast/single_page.html?podcast=scott_sloan&selected_podcast=120326_1_SLOAN_133277_1138_23270.mp3

REVENUE DEPARTMENT SHUTS DOWN 'ROLL-YOUR-OWN' CIGARETTE MACHINES

By Erin Matthews
Salina Journal (KS)
March 26, 2012

Agents with the Kansas Department of Revenue shut down "roll your own" cigarette machines across the state last week, including those at Pack Rat Smokes in Salina, until the cigarettes produced by the machines are certified as meeting state fire safety standards.

Seth Valerius, assistant Kansas attorney general and general counsel for the Kansas State Fire Marshal's Office, said the cigarettes produced by the machines must comply with a state statute that went into effect July 1, 2008, requiring cigarette manufacturers to have their products certified as fire standard compliant.

He said vendors who supply tobacco, rolling paper and machines people can use to roll as many as 200 cigarettes in eight minutes would meet the definition of a cigarette manufacturer. He said people who maintain small at-home machines for personal use are less of a concern.

"One guy going in and buying rolling papers and a little machine — that's less of an issue than these places that can roll thousands of cigarettes a day," Valerius said.

An employee at Pack Rat Smokes, 695 S. Broadway, contacted Monday afternoon, said the store manager had just left. A message from the Journal seeking comment was not returned.

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KANSAS SHUTS DOWN 'ROLL-YOUR-OWN' CIGARETTE SHOPS

By Jonathan Bender

The Pitch (Kansas City, KS)

March 27, 2012

In a move characterized as a fire-safety issue, the Kansas Department of Revenue shut down around 20 operations that offer the use of "roll your own cigarette" machines to customers, according to a KMBC Channel 9 news report.

Among the stores shuttered were a pair of Lawrence smoke shops — UCF Half Price Smokes — as state regulators pointed to concerns that the rolling papers used by the machine don't meet fire-safety standards. And while roll-your-own users don't have to pay the state's tax of 79 cents per pack (the locations characterize the transaction as a purchase of materials and rental of the machine rather than a purchase of cigarettes), the state insists that this is a decision based on safety rather than revenue.

The Lawrence Journal-World looked at why it may be a long road back for roll-your-own shops; they would have to apply for a cigarette manufacturing license and track down the state-approved rolling papers (which the cigarette-machine vendor insists is not currently available for purchase).

Meanwhile, across the state line in Missouri, Democratic lawmakers are calling for a higher state cigarette tax. At 17 cents per pack, Missouri has the lowest cigarette taxes in the country.

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STATE BUDGET: HEADING IN THE RIGHT DIRECTION

Baltimore Sun Editorial (MD)

March 26, 2012

Our view: House version of the budget taxes less and eliminates some of the more egregious elements of the Senate's spending plan

The House of Delegates' rewrite of next year's state budget takes some important steps toward making Maryland's finances sustainable without dipping quite so deeply into taxpayers' pockets as the Senate's plan. It's not perfect, and some details will still need to be ironed out in negotiations between the two

chambers, but it appears to be heading in the right direction. Here's what remains to be decided in the weeks ahead:

- **Income taxes.** The House has drastically scaled back the income tax increases in the Senate's plan and focused the burden more exclusively on those at the upper end of the income scale — without the creation of a problematic "super-bracket" for those who make more than \$500,000 a year. Although the Senate voted to expand the earned income tax credit as a way to mitigate some of the impact of its plan on low earners, it raised rates on people earning as little as \$50,000 a year. The higher rates in the House plan don't kick in until \$100,000 in income for single filers and \$150,000 for joint filers.

As with the Senate plan, the House increases rates for the state's top brackets by a quarter of a percentage point. Unlike the Senate, it resurrects a good idea from Gov. Martin O'Malley's original proposal: limiting personal exemptions for those taxpayers. That change has the benefit of raising more money for both the state and local governments, which to some degree offsets the planned shift of some teacher pension costs to the counties. Finally, the House does away with a Senate provision, potentially unique among the 50 states, that would have created a flat tax of 5.75 percent for those who report more than \$500,000 in income. Asking for a larger contribution from the state's wealthiest taxpayers is perfectly reasonable, but that was a bad way of doing it, and the House was right to reject it.

The upshot is that the House would raise about \$192 million through its changes to the income tax, a much more reasonable figure than the \$468 million tax increase the Senate approved.

- **Other taxes.** Gov. Martin O'Malley included a number of other tax proposals in his budget that were more important for the policy goals they advanced than for the money they raised. Chief among them was an increase in taxes on what are known as "other tobacco products" — cigars and smokeless tobacco. Mr. O'Malley proposed increasing taxes on premium cigars, cheap "little cigars" and smokeless tobacco to 70 percent of their wholesale price, up from the current 15 percent, which would make them roughly comparable to cigarette taxes. The state has seen significant decreases in cigarette smoking, particularly among minors, as a result of its tax increases. But use of little cigars and smokeless tobacco by children has been on the rise.

The Senate voted to raise little cigar taxes to 70 percent but kept premium cigars and smokeless tobacco at 20 percent. The House left premium cigars alone (they don't factor much into the youth smoking problem), increased little cigars to 70 percent and smokeless tobacco to 50 percent. The legislature should bump the tax for smokeless tobacco to a rate comparable with little cigars and cigarettes to avoid inadvertently sending the message that it is less dangerous.

Mr. O'Malley proposed extending the sales tax to some Internet transactions, including digital downloads. That's important for brick-and-mortar stores in Maryland that are now at a competitive disadvantage. The Senate kept part of the governor's proposal, but the House didn't. It should be restored.

Finally, the House was right to close an obscure loophole for trusts that invest in a certain type of corporation. It's of little consequence to average taxpayers, but it eliminates a quirk in state tax law that served no public purpose.

•**Teacher pensions.** The Senate devised an elegant solution for gradually shifting teacher pension costs to the counties by having local governments pick up the "normal cost" of pension contributions, that is, the actuarial cost of a current employee for that year's service. The state would continue to fund accrued liabilities, which, theoretically, would eventually disappear. The Senate would accomplish the shift over four years, the House over three. The Senate also does much more to cushion the blow for the counties, particularly in the first two years. (That's where much of that income tax money in the Senate plan would go.) The counties may not like the House version as much, but it still gives them enough time to prepare for the shift. Given the extra cost to taxpayers of the Senate plan, the House proposal is the way to go.

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