

DAILY NEWS CLIPS

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LOBBYING OVER “ROLL YOUR OWN” GETS INTENSE

By Dar Danielson
Radio Iowa
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Cigarette manufacturers, distributors, and retailers are joining forces to try to stop the new “Roll Your Own machines” in Iowa tobacco shops before the legislature wraps up for the year. Customers can buy loose tobacco and use the machines to roll cigarettes at half the cost of regular smokes.

Philip Morris lobbyist Dave Scott says the machines could take thousands of dollars in business away. “The state of Wisconsin estimates they are losing \$278,000 annually from a machine. If you want to let these machines in all the stores around the state see what happens to your tobacco revenue. Go ahead get everybody in the business,” Scott says.

Scott is pushing for passage of a bill to make customers pay the same tax on the rolled cigarettes that they do on regular smokes, which would take the price advantage away. Philip Morris Lobbyist Cal Hultman also supports the bill.

“We pay federal excise tax of 10 dollars and 10 cents per carton. We pay 13 dollars and 60 cents state excise tax, and then we pay a sales tax. So we do pay tax,” Hultman says. “All we’re saying is tax equity. A cigarette is a cigarette is a cigarette.”

In addition to big tobacco, the Iowa Retail Federation, convenience stores, petroleum marketers, all the groups that stand to see fewer cigarette sales are joining forces for a bill to equalize the tax. Representative Eric Helland, a Republican from Johnston, says the lobbying has been fierce.

“This has been an extremely intense issue. The crux of the question is how to apply the tax that’s equitable and fair to all the parties at the table,” Helland explains. Tobacco store owners and the manufacturer of the machines are pushing back from the other side.

“We’re kind of in the middle. I don’t think this is as clear as it could be and should be, however I think we need to get moving, and we need to move quickly because the session will be wrapping up soon,” Helland says. There are “roll your own” machines in Marion, Dubuque, and Davenport.

Some smoke shop owners say they're waiting to see what happens with the tax dispute before they invest in a machine.

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LOOPHOLE ALLOWS FOR CHEAPER CIGARETTES

By Erin Murphy

Dubuque Telegraph-Herald (IA)

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Iowa lawmakers are pushing to tax products produced by "roll your own" tobacco machines in the same way as cigarettes purchased at a convenience store.

Because they are classified as loose tobacco, products made from the machines are not subject to the full range of Iowa's tobacco taxes. That enables customers to create and purchase a carton of cigarettes, for example, for about half the price of those sold in a convenience store.

To customers who use the machines, that's bargain shopping. To some Iowa lawmakers, that's tax evasion.

State Sen. Pam Jochum, D-Dubuque, is pushing for passage of a bill that she said ensures products made at the machines will be taxed in the same manner as other tobacco products.

"It will still be cheaper (to roll one's own tobacco)," Jochum said. "Just not half (the cost)."

The bill has already passed the Senate, 44-1, and has been recommended for passage by a House committee. Jochum hopes action is taken before the current session of Legislature ends, which could be within the next couple of weeks.

"If we don't address this this session, by the time the Legislature convenes next year there could be hundreds of them," she said about the machines.

Jochum said there are five machines in Iowa. Two are in Dubuque, both at Let's Roll Tobacco on Dodge Street.

A spokesman for the store referred the TH to Phil Accordino, CEO of RYO Machines. Accordino did not return a message seeking comment Monday.

In a story on the Des Moines Register's website, Accordino said the Iowa bill has nothing to do with tax equity but rather is more about big tobacco companies fighting to maintain their market share.

"This is about the perception that because we have invented a little better of a mouse trap, some of those that have the lion's share of this market may be feeling a little threatened that this might catch on a little bit," Accordino told the Register.

Literature produced by RYO Machine says, "While such legislation is masked as a tax fairness issue, the real purpose is to impose inappropriate and burdensome regulations on mom-and-pop retailers that were designed for major industrial tobacco manufacturers."

Jochum disputed the notion of RYO as a mom-and-pop company.

"They're not mom-and-pop shops. It's a big franchise operation," Jochum said, noting that the owner of Let's Roll Tobacco lives in Michigan.

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CIGARETTE ROLLERS CREATE REVENUE, JOBS

Letter to the Editor by Angie Eveland

Wichita Eagle (KS)

April 16, 2012

I am the operator of a tobacco shop in Park City that has roll-your-own cigarette filling stations ("Kansas nixes cigarette rollers," April 7 Local & State). We are simply small retailers that rent machines to consumers so that they can roll their personal smokes. The smokes they roll with the use of our machine are no different from those they can roll at home with a tabletop machine, which has been done for decades.

This industry creates great revenue for the state, has enabled small businesses to be successful and provides local jobs. Why is the state taking this industry away and leading consumers to purchase their smokes out of state, where the taxes may be cheaper, or on American Indian reservations, where the state gets no revenue from sales tax?

The retailers and consumers using these machines pay all applicable federal and state taxes, creating revenue for the state. Our state needs to create jobs, not destroy them. Removing these machines will affect state revenue, local jobs, small businesses and, most important, the local taxpayers wishing to rent these machines for their personal use.

The state needs to start listening to the taxpaying public instead of to greedy, big tobacco companies.

ANGIE EVELAND

Park City

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BIG TOBACCO LIGHTS UP ITS ANTI-TAX EFFORT

Op-Ed by Dan Morain

Sacramento Bee (CA)

April 17, 2012

Tobacco is different.

In the coming weeks, Californians once again will witness the industry's formidable power. Cigarette makers Altria and R.J. Reynolds will spend tens of millions of dollars telling us why Proposition 29, the latest attempt by anti-smokers to raise tobacco taxes, is a terrible idea.

In slick television ads, shills will explain how the

\$735 million that would be raised by the measure annually would be wasted on the creation and operation of a bloated bureaucracy. The industry probably will succeed. It usually does.

Ordinarily, I agree with arguments against initiatives. Proposition 29 on the June 5 ballot has its problems. But my decision is easy any time I have to choose between tobacco companies and cancer researchers, doctors who treat cancer and public health experts who try to prevent cancer.

The industry has "lied, misrepresented and deceived the American public, including smokers and the young people they avidly sought as 'replacement' smokers, about the devastating health effects of smoking and environmental tobacco smoke."

Those words didn't come from some anti-smoking fanatic. U.S. District Judge Gladys Kessler wrote them in 2006. After spending six years presiding over a Justice Department lawsuit against the industry, Kessler concluded the industry violated civil provisions of the Racketeer Influenced and Corrupt Organizations Act, a law intended to combat the Mafia.

Given that only 11.9 percent of adults in this state smoke, you'd think tobacco would be on the run. But just as its products kill its customers, the industry is efficient at killing new taxes. This is one of only three states that haven't raised tobacco taxes since the start of the 21st century, and it's no accident.

The industry has spent \$102 million on campaigns in California since 2000, including \$66 million to defeat the last tax initiative in 2006. Tobacco companies have shelled out \$23 million to destroy the latest measure so far.

It makes good business sense. Proposition 29 would tack \$1 to the cost of a pack of smokes, pushing the state tobacco tax to \$1.87. Whenever prices rise, usage drops, particularly among young people, a coveted market; if people don't start smoking young, they likely never will.

Proposition 29 would earmark 60 percent of the money, \$441 million, for research into cancer and other tobacco-caused diseases. An additional 15 percent would create "California research facilities" focused on prevention, detection, treatment and cures for tobacco-related illness. About \$120 million would go to existing anti-tobacco programs. To oversee the money, there'd be a nine-member board that would include, among others, three UC chancellors and three directors of National Cancer Institute-designated cancer centers in California.

The initiative says the measure's purpose would be to fund "research in California." But the measure also contains a sentence suggesting that research money could go outside the state: "All qualified investigators, regardless of institutional affiliation, shall have equal access and opportunity to compete for funds in this act."

The tobacco industry homes in on that line, contending that tax money raised in California would be spent outside California.

The Legislature hasn't approved a tobacco tax increase since 1993, and that was a 2-cent boost to fund breast cancer research. Lawmakers have failed no fewer than 30 other times to raise tobacco taxes in the past 30 years, according to a body count of dead tobacco bills compiled by Proposition 29's backers.

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TOBACCO COS. MAKE PAYMENTS UNDER STATE SETTLEMENT

By Michael Felberbaum

Associated Press

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The nation's top cigarette companies have made their payments as part of the 25-year settlement in which some cigarette makers are paying states for smoking-related health care costs.

Philip Morris USA, the nation's largest cigarette maker owned by Altria Group Inc., said Monday that it made its full annual payment of about \$3.5 billion as part of the 1998 Master Settlement Agreement.

The Richmond-based maker of Marlboro, Virginia Slims and Parliament cigarettes said the payment includes about \$206 million that it says it doesn't owe that was deposited into a separate account and will try to get back through negotiations or arbitration.

No. 2 R.J. Reynolds Tobacco Co., owned by Reynolds American Inc., based in Winston-Salem, N.C., has paid nearly \$2 billion for this year. The maker of Camel, Pall Mall, Kool and other brands, based in Winston-Salem, N.C., deposited the portion it disputes -- \$469 million -- into a separate account, as allowed under the settlement.

No. 3 Lorillard Inc., Greensboro, N.C.-based maker of Newport, True and Maverick brand cigarettes, has paid \$1.1 billion, including \$98 million it disputes.

As part of the landmark settlement to reimburse states for smoking-related health care costs, participating tobacco product manufacturers agreed to make about \$206 billion in payments to 46 states, Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, the Northern Mariana Islands and the District of Columbia over more than two decades.

Those companies say a provision in the settlement entitles them to a reduction if they lose market share to competitors that did not participate in the agreement. But the participating companies must prove the states did not adequately enforce laws requiring those competitors to place funds in escrow accounts in case of future litigation.

Philip Morris USA said it has paid more than \$59 billion under the settlement and previous agreements since 1997. RJR said it has paid more than \$28 billion under the agreement. Lorillard has paid about \$14 billion.

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