

February 22, 2012

LEGISLATION WOULD HURT SMOKE SHOPS

Letter to the Editor by Sara Mullenburg
The Daily Republic (Mitchell, SD)
February 21, 2012

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To the Editor:

HB 1138 is attempting to close smoke shop doors. Roll-your-own smoke shops help South Dakota's economy. Many customers who purchased cigarettes across state lines at lower prices are now keeping their business local, including purchasing gas, groceries, etc., while they are here.

In a RYO shop, customers purchase tobacco and smoke tubes. They quite often choose to rent a packing machine to stuff their smokes. The customer is responsible to operate the machine and box their own smokes once they are packed.

Cigarette manufacturers are able to produce 20,000 cigarettes per minute and sell their product at convenience stores. It would take one RYO machine 13.3 hours to "stuff" as many smokes as a cigarette manufacturer makes in one minute.

Roll-your-own machines are easily compared to change counters. People are able to count their change by hand. Many people choose to buy home change counters to increase efficiency. However, most people choose to take their change jars to counters and pay a "rental" fee to increase accuracy and decrease the time it takes. The "rental fee" is exchanged for increased accuracy, as well as time saved. Just like counting change, people can roll smokes by hand. Yes, people are able to buy small in-home smoke stuffers, but RYO customers choose to increase accuracy and save time by renting a machine.

RYO smoke shops do not manufacture smokes, but instead draw business and create jobs in our unstable economy.

Oppose HB 1138.

UNLIKELY ALLIES BASH ROLL-YOUR-OWN TOBACCO OUTLETS

By Phil Kaber

Charleston Gazette (WV)

February 21, 2012

For once, health care advocates and tobacco industry lobbyists are on the same side of an issue: Cracking down on the proliferation of roll-your-own cigarette outlets around the state.

On Tuesday, the Senate Health and Human Resources Committee advanced a bill (SB514) that would require establishments that provide machines to manufacture roll-your-own cigarettes to collect and remit state cigarette taxes, at the rate of 55 cents for every 20 cigarettes produced.

"Our concern is that this cheap tobacco product is in the marketplace. We feel that it encourages people to continue a deadly habit," Chuck Hamsher, advocacy director for the American Heart Association, said of the surge of roll-your-own outlets.

Wendel Turner, a state lobbyist for Altria -- the parent company of Phillip Morris USA and other cigarette manufacturers -- also spoke against the outlets.

"These machines are designed and the business plan is set up to avoid [paying] cigarette taxes," he said. "If this bill passes, it will level the playing field as it pertains to the state excise tax on cigarettes."

Besides evading the \$5.50 a carton state tax, the roll-your-own outlets also avoid about \$10 a carton in federal excise taxes, Hamsher said.

Deputy Revenue Secretary Mark Muchow told the committee the department estimates that the roll-your-own outlets account for about 2 percent of all cigarettes purchased in the state, costing the state somewhere between \$500,000 to \$750,000 in lost tax revenue.

Muchow said the department has projected a 1 percent annual decline in tobacco tax revenues, as overall tobacco usage declines. However, he said that for the past couple of years, the drop-off has been in the 2 to 2.5 percent range.

"We attribute some of that decline to the roll-your-own machines," he said.

At Hamsher's urging, Sen. Dan Foster, D-Kanawha, attempted to amend the bill to ban the machines outright, but his motion was rejected on a voice vote.

Turner said the manufacturer of the rolling machines has gone to court to fight attempts to ban the machines in other states -- allowing the roll-your-own outlets to remain open and operate untaxed while the matter is being litigated.

"We believe the most effective way to limit this activity is through taxation," Turner said.

The House version of the bill (HB4428) would make the cigarette rolling machines illegal, and possession of a machine in a retail location would be punishable with a fine of \$25,000.

That bill advanced from the House Health and Human Resources Committee last week, but has not been taken up by the House Finance Committee.

The Senate version now goes to Senate Finance for consideration.

Also Tuesday, the Senate:

*The Government Organization Committee postponed consideration of a bill to create a tax increment financing (TIF) district to help finance construction of a new ballpark for West Virginia University (SB631).

Chairman Herb Snyder, D-Jefferson, said the one-day delay was to give the state Development Office time to prepare a report on the proposed TIF district, which covers about 600 acres of the University Towne Center development in Granville, just northwest of Morgantown.

Snyder said the office prepares reviews of all proposed TIF districts -- including one advanced by the committee Tuesday for the Charles Pointe complex in Bridgeport, Harrison County (SB620).

Under state law, TIF districts allow developers to sell bonds for projects, with the bonds to be paid off from the increase in property and/or sales tax collections that the development generates.

On Monday, WVU Athletic Director Oliver Luck told the Charleston Rotary that the proposed TIF district would include financing for a Big 12-caliber ballpark for the WVU baseball team, and potentially also for a minor league baseball affiliate.

* Passed 30-4 and sent to the House legislation to allow the state to license and regulate tanning facilities around the state (SB73).

The bill, which originally required minors to have parental consent to use tanning beds, was amended in Judiciary to ban persons under age 18 from using tanning devices. Committee

Chairman Corey Palumbo, D-Kanawha, said the ban was prompted by various medical studies showing much higher risk of skin cancer for persons who have used tanning devices.

Sens. Minard, Snyder, Sypolt and Williams voted against the bill.

HOUSE DEMOCRATS FILL BUDGET GAP WITHOUT TAX HIKE

By Brad Shannon

The Bellingham Herald (WA)

February 21, 2012

Legislature: Proposal delays \$405 million in school funding into next cycle, which Republicans call gimmick

House Democrats unveiled a budget proposal Tuesday that closes a \$1.1 billion budget gap and may doom the sales-tax increase once intended for the spring ballot.

As outlined by Democratic Rep. Ross Hunter, the plan spends \$30.66 billion, leaves the state's schools intact and limits cuts to the safety net. It also avoids a 24-day unpaid furlough for state workers that House Republicans want.

"It's a first draft," said Hunter, who is chairman of the House Ways and Means Committee. "We don't do any significant damage to our K-12 funding. ... We fully fund basic ed."

Hunter said the proposal is workable, balances the books and spends less than the state takes in through June 2013. It does this by lopping \$81.6 million of state support for local governments, delaying a chunk of K-12 public school funding into the next budget cycle, and assuming 1,554 fewer employees on the state payroll.

But Republican Reps. Gary Alexander of Thurston County and Bruce Dammeier of Puyallup both criticized it for using a gimmick – the delay of \$405 million in school funding to July 2013, the first month of the state's next budget cycle – and for failing to eliminate whole programs. Their budget, released Friday, got rid of 51 programs.

On the other side, advocates for schools and for health care programs serving the poor and elderly said the plan avoids draconian cuts Democratic Gov. Chris Gregoire and House Republicans both had sought. Among the spared programs: Basic Health Plan for the working poor and the Disability Lifeline that gives health help and housing vouchers to the temporarily disabled.

HOUSE FLOOR VOTE AS SOON AS FRIDAY

The new budget proposal – formally known as House Bill 2127 – went to a public hearing late Tuesday afternoon. It could receive a vote as soon as this afternoon in the House Ways and Means Committee and get a floor vote in the House as soon as Friday.

The Senate is expected to unveil its more bipartisan spending plan next week –possibly Tuesday – as lawmakers begin the sprint to a March 8 finish.

Both the House Republicans and Democrats are proposing some new revenues. But neither assumes the half-cent sales tax Gregoire had proposed to “buy back” cuts to K-12 schools and the social safety net.

Hunter said talk of revenues will wait for next week.

Rep. Laurie Jenkins, a Tacoma Democrat who has advocated for a capital gains tax, said a spring ballot proposal is looking unlikely. She said the state could have another \$2 billion shortfall next year under Hunter’s plan, and many Democrats are starting to look at major tax reforms to fix that problem longer term.

Like the House Republican plan outlined Friday, the budget assumes \$18 million from ending a mortgage-interest tax break that benefits large out-of-state banks. That bipartisan support means there is a good chance of getting the two-thirds vote needed to end the tax break.

The Democrats’ budget also assumes \$13.1 million would be raised by levying cigarette taxes on roll-your-own cigarette products.

LOCAL IMPACTS

The plan cuts into the Department of Corrections’ budget, reducing community supervision of released offenders and chemical dependency treatment while adding money for prison radios.

Of special interest to South Sound, the House plan:

- Does not call for moving the Special Commitment Center from McNeil Island. But it would make changes in how the sexually violent predators housed at the center are prosecuted and defended. The biggest change is a shift in the defense responsibilities from counties to the Office of Public Defense, a state agency that would contract with private defense lawyers and set up procedures for reimbursements of expert witnesses.
- Closes two wards of Western State Hospital in Lakewood, but does not close the Rainier School for the developmentally disabled, which Gregoire proposed.
- Reduces the state contribution to \$800 per month per worker for public employee insurance benefits, down from \$850. Gregoire proposed \$825 and the House GOP proposed \$800. But the reduction is not expected to automatically require higher employee contributions.

- Cuts the state work force by 1,554 full-time equivalent slots, continuing a 3 1/2-year trend. About 900 of those cuts are layoffs resulting from voters passing Initiative 1183 last November, ending state-run liquor sales and distribution.

INTEREST GROUPS MAY BE RELIEVED

The Washington Education Association and League of Education Voters are offering measured support for the Democrats' level of funding for schools despite cuts in bonus payments to nationally certified teachers.

But both education groups put out statements that drew attention to Democrats' fresh cuts for higher education. The budget cuts \$65 million from higher education institutions and \$10 million more from state need grants – after a series of recent tuition hikes and hundreds of millions of dollars in cuts since 2009.

Hunter's plan does add money for some science and technology degree programs, leaving a net \$51 million cut for institutions, according to his highlights paper.

The Eldercare Alliance's lobbyist Jerry Reilly said he was pleased the plan avoids further cuts in eligibility for home care services such as bathing, cleaning and cooking for the elderly, as well as new cuts for home care agencies. But Reilly, who had praised the Republican budget for its funding of elder services, said Democrats cut 20 percent in adult day health programs that help seniors stay in their homes by providing regular medical check-ups.

Democratic Rep. Jeannie Darneille of Tacoma said budgets over the past four years "have had significant negative impacts on low-income families in our state," including the dropping of welfare benefits meant to help children in poor families. She said the new budget doesn't reverse course.

"We know that part of the boon that we've had in reduction in caseload has actually been reflected by families not receiving services in our state," Darneille said.

IDAHO, RHODE ISLAND CONSIDERING CIGARETTE TAX CHANGES

Convenience Store News
February 21, 2012

As legislators wrestle with budgets in a difficult economy, two states are reconsidering their cigarette tax and approaching different conclusions; an Idaho lawmaker is preparing a proposal to raise the state's tobacco tax, while a Rhode Island Representative wants to cut the tax to attract more local smokers.

Rep. Dennis Lake (R-Blackfoot) has written a proposal to increase Idaho's state tobacco tax to \$1.25 per pack or \$12.50 per carton, according to a Times-News report. Lake, the chairman of the House Revenue and Taxation Committee, stated that the proposal is now in the hands of an American Cancer Society-headed coalition.

"The coalition is still struggling to find the votes to print it," said Lake. "We'll just see what happens, it's their call now."

Potential challenges to the bill include legislators' reluctance to increase any taxes during this election year, as well as opposition from small business. Supporters of the bill include the Idaho State Dental Association and the state's public health districts. The same bill came under consideration last year, but did not make it out of committee.

Idaho's tobacco tax is currently the eighth lowest in the U.S. at \$.57 per pack. If the bill becomes law, the tax will be the 15th highest in the country.

Meanwhile, a Rhode Island lawmaker wants to cut the state's tobacco tax in order to encourage local smokers to shop at home. Rep. Robert Phillips (D-Dist. 51, Woonsocket) has proposed lowering the \$3.46 tax by \$1, according to an Associated Press report.

Rhode Island's tobacco tax currently ranks second in the country, something that Phillips believe is driving area smokers to purchase cigarettes in nearby Connecticut and Massachusetts, which offer lower taxes. Phillips introduced the bill last year but it did not reach a vote.

Despite Phillips' efforts, not all Rhode Island lawmakers think the same way; Gov. Lincoln Chafee has proposed increasing the tobacco tax by four cents.

CIGARETTE TAX

Chicago Tribune

Letter to the Editor by Dr. Kathleen L. Grady, Chair, American Heart Association Illinois Advocacy Committee, Chicago

February 21, 2012

State officials are proposing a \$2 billion cut to Illinois' Medicaid program. We agree with Illinois Hospital Association president, Maryjane Wurth, that a cut of this magnitude will have a profound negative impact on health care services for the poor and disabled. The collateral damage to people in fragile health would be unimaginable. Left untreated, some of these conditions will only worsen and cost the system even more to treat.

It is time for officials on every side of this issue to put dogma and politics aside and to admit that Illinois cannot just cut its way out of this budget disaster. Raising additional revenue must

be considered and one of the most viable and expedient options is raising the state's cigarette tax. While a lot of controversy surrounds many of the other taxes and fees, time and time again polling has shown that the public sees an increase in the cigarette tax as the most acceptable revenue option we have.

Raising the state cigarette tax is an easy way to address multiple problems. For instance, a \$1 tax increase on cigarettes can raise an estimated \$300-400 million in annual revenue for the state. And it would motivate nearly 60,000 current smokers in the state to quit the habit, preventing more than 50,000 smoking-related deaths here. This would lower the cost of health care services for tobacco-related health problems and help shore up Medicaid. An increase in the cigarette tax is the state's best "low-hanging fruit" option.

It can be done. It must be done, and done soon!