



DAILY NEWS CLIPS

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NEW BILL ADDS TAXES TO CHEAP CIGARETTES

Port Orchard Independent (WA)

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A bill that sits on the desk of Washington State Governor Christine Gregoire could sound the death knell for a few local businesses once signed into law.

House Bill 2565, a bill taxing establishments that operate roll-your-own cigarette machines, passed through the State Legislature in the 2012 legislative session.

The bill requires owners of bulk cigarette rolling machines to purchase manufacturing stamps. The stamps will effectively increase the cost of 200 cigarettes by \$20.25, said Casey Kroesser.

Kroesser owns DIY Tobacco in downtown Port Orchard and two other stores in Silverdale and Bremerton. Currently, a carton of smokes rolled through one of the large brown and black machines at her stores costs \$32, about 50 percent less expensive than a brand-name carton from a convenience store or gas station.

Assuming the bill is signed, the cost of 200 roll-your-own cigarettes from a machine will raise to nearly the price of the brand names, Kroesser said.

“We’ll still have savings,” she said. “But it puts us right even with the completes.”

The problem with only marginal savings from her stores, she said, is that she doesn’t know how many of her customers will continue to wait in front of her roll-your-own machines. With savings of only \$9.75 a carton, she’s afraid her customers will choose convenience over price, putting her three stores and 12 employees at risk.

Kroesser said her store was unfairly targeted for taxation. The cigarettes are rolled, she argued. She is not a manufacturer who should purchase manufacturing stamps meant for Big Tobacco.

Port Orchard Resident Bill Cramer visits DIY Tobacco a couple of times a month. He goes to the store to save money. While the tax hike won’t drive him away, he said, it will affect him.

“I’m on SSI (Social Security Insurance),” he said. “It’s going to hurt me big time.”

Rick Gars, a South Kitsap Resident, buys about 1200 cigarettes a month. The government loves to find a way to tax lower income individuals, he said. Instead of looking within bureaucracy and eliminating some higher up government positions, the government finds various ways to tax the legislature. A shipyard worker, Gars said it's blue color guys like himself that see the brunt of taxation, he said.

"I know it's a bad habit. But they don't make it cheap to quit, either."

Senator Karen Keiser, D-Kent, co-sponsored the corresponding Senate bill. The chair of the Health and Long-Term Care committee, Keiser understood that a heavy tax could put local establishment out of business, but told the Independent in February that stopping the proliferation of tobacco was more important than local businesses that operate the machines.

"I'm sorry if they've built an entire business solely around a product that is an addictive, health-harming product," she said. "That was their choice."

The Kitsap Public Health District Medical Director, Scott Lingquist, said the public health district had no official stance on the bill. The public health district tries to discourage smoking, he said, recognizing that healthcare costs would decrease as the prevalence of smoking falls.

"Tobacco is tobacco no matter if you are buying a carton or rolling your own," he said.

Both Kroesser and Gars agree that taxation won't stop at the roll-your-own store.

"They'll tax us out of existence," she said. "Then they will turn to anything else they can tax."

For now, Kroesser will focus on how to keep her store in business once the tax is levied. She will consider moving away from the bulk rolling machines and towards personalized, smaller products.

She holds out hopes that loyal customers will keep her in business. But she isn't sure.

"When you look at busy people now a days who can almost pay the same price for a carton as a roll-your-own, it's not hard to find out what people are going to do," she said.

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KENNEWICK STORE OWNER SAYS ROLL YOUR OWN CIGARETTE TAXES WILL NOT SHUT HIM DOWN

BY Lisa Loevsky

KNDO Washington (NBC)

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As part of the budget bill, state lawmakers voted to add taxes to roll your own cigarettes last month.

It's a move that could essentially shut down these "half-price" stores, like "1/2 Price Smokes" in Kennewick. Governor Chris Gregoire is set to sign a bill into law May 2nd, which would tax roll your own cigarette stores just like big manufacturers, making them no longer half price.

"1/2 Price Smokes" owner Gary Alexander says his corporate company out of Ohio, "RYO Stations" will be filing a lawsuit within 30 days after Gregoire signs the bill. Alexander says there are about 1,700 stores like this in the country, and the corporate company has won several lawsuits in other states where laws just like this one passed, California being the latest.

"No we're not closing our doors July first. fact is, I'm looking for places to expand, here in the Tri-Cities in Pasco and Richland. I'm very confident we have a great future ahead," says Alexander.

Once signed, the law is supposed to take affect in July. Alexander says, the lawsuit will be well underway at that point, so prices should remain at half, as advertised. Legislators say the law should add about \$15 million of revenue to the state each year, a number Alexander says is exaggerated by big tobacco companies.

This story is developing.

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ROLL-YOUR-OWN CIGARETTE BILL PASSES TENN. SENATE

Associated Press

Bloomberg Businessweek

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A proposal that would require roll-your-own cigarette retailers to pay a licensing fee and tax and adhere to certain restrictions has passed the Tennessee Senate.

The measure sponsored by Republican Sen. Jack Johnson of Franklin was approved 25-5 on Wednesday.

Pipe tobacco, a popular product of roll-your-own retailers, is not listed on the state attorney general's directory of tobaccos. The proposal would require tobacco the retailers use in their machines to come from the directory.

It would also require the retailers to pay a cigarette tax and an annual \$500 licensing fee for each roll-your-own machine used.

Businesses would have until July 1, 2013, to meet the requirements.

The companion bill is scheduled for a vote in the House Finance Subcommittee.

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WHAT OTHERS SAY: CHILD CARE NEEDS SUPPORT THROUGH TAX AMNESTY

Editorial by Springfield News-Leader

Missourian
April 26, 2012

Missouri's senators must stop targeting the state's poorest families and their children in order to balance the budget. At minimum the lawmakers must find the needed \$30 million to support child care subsidy programs.

House members have proposed a taxpayer amnesty bill that might generate \$70 million — more than enough to support child care and other services for children. Senators should get behind this idea, or they should accept the responsibility to propose a tax increase and take the political heat off of the representatives by doing so.

The senators have sliced about \$30 million from the Department of Social Services budget in their work on the 2012-2013 fiscal budget. This will have a serious impact, as was pointed out in our Voice of the Day Sunday by the Rev. Mark Struckhoff of the Council of Churches of the Ozarks and Nicole Piper of Child Care Aware of Southern Missouri. We can expect single-parent and working families to suffer as day care becomes more expensive or unavailable. It is possible that some parents will have to leave the workforce in order to care for small children.

The proposed tax amnesty bill allows Missouri residents to pay back taxes without facing a penalty and interest. Amnesties brought in \$74 million during the 2002 fiscal year and \$42 million a year later, according to Associated Press reports. And while we share the concern of some lawmakers that this can be done too often, it has been nearly a decade and the need is great now.

If the Senate will not back the tax amnesty then it is time for those in leadership to propose a tax increase. **The most discussed have been either a hike in the tobacco tax — Missouri has the lowest in the nation — or applying a tax to Internet sales.** While tax bills must originate in the House, a stated willingness on the part of senators could make the increase more palatable to the public and the representatives. And it would demonstrate the leadership we expect from senators.

Or, are the senators hoping for another mega-lottery and the resulting revenue increase in ticket sales? Is that their plan to meet the state's needs? Or, are they simply willing to make the lives of many Missouri residents less manageable and more difficult?

We know they can do better than this. We expect them to do better than this.

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TOBACCO GIANTS FORKING OVER TENS OF MILLIONS OF DOLLARS TO DEFEAT A NEW TOBACCO TAX

By Steven Harmon
Daily Democrat (CA)
April 27, 2012

In what is quickly turning into another high-stakes policy battle to be decided by California voters, tobacco giants Philip Morris and R.J. Reynolds are forking over tens of millions of dollars to defeat a new tobacco tax on the June ballot.

Proposition 29, which would boost taxes by \$1 a pack of cigarettes to \$1.87, would raise about \$735 million annually, most of which would go toward cancer research.

It would also mean a \$1 billion annual loss in California sales to the tobacco industry because the extra buck a pack will cause more people to quit smoking or not start in the first place, experts say. But tobacco companies plan to keep a low profile during the no-on-29 campaign, hoping their anti-tax allies can win the battle for them by appealing to anti-tax sentiments -- rather than trying to garner sympathy for an unpopular industry.

"I don't think it's a secret that tobacco is funding this," said Joel Fox, president of the Small Business Action Committee and a member of the coalition opposing Proposition 29, Californians Against Out of Control Taxes and Spending. "But if the tobacco folks are out there, everybody wants to say the evil tobacco companies are behind this. But there are important policy issues that have to be discussed, and it's not surprising that taxpayer groups are out front talking about this."

What does the tobacco industry have to say?

Apparently nothing. When this newspaper asked the no-on-29 campaign for a tobacco industry representative to give the industry's take on the issue, the anti-tax coalition wouldn't provide one.

The coalition has already begun airing radio and television advertisements targeting what it believes is a vulnerability in the initiative: a provision that allows out-of-state organizations to bid on research dollars.

In the ads, Dr. LaDonna Porter, a Sacramento-area physician who starred in anti-tobacco-tax campaign ads in 2006, depicts the measure as a ballot-box boondoggle that would create "a huge new research bureaucracy with no accountability run by political appointees who can spend our tax dollars out of state."

Health care advocates say the criticism is a smoke screen for the opposition's true motive: to protect the tobacco industry's market in California. They insist that virtually all the research dollars would be spent in California but that they wanted to keep the bidding process open to avoid accusations of cronyism.

Proponents also contend that of the \$1 billion the tobacco industry would lose in sales if voters approve Proposition 29, \$800 million would be profits that would have gone out of state to R.J. Reynolds' base in North Carolina and Philip Morris' in Virginia. Proponents predict that California's smoking rate would gradually be reduced from 12 percent of the population to 8.5 percent if the initiative passes.

Big tobacco firms have a "real strong economic motivation to spend what it takes," said Stanton Glantz, a UC San Francisco professor of medicine who wrote "Tobacco War, Inside the California Battles."

"Even if they spend \$100 million, that's one-tenth of what they'll lose every year," he said. "These companies will do everything humanly possible to kill this. They might lose because the public rejects them, but they're not going to lose this because they were cheap."

Tobacco companies have poured \$21 million into this year's campaign so far -- \$8.9 million in the past month alone -- and could wind up surpassing the \$66 million they spent in 2006 to defeat another tobacco tax-hike proposal.

How much they spend may depend on whether they can move voters in coming polls with the barrage of ads that have only just begun. An early March survey by the Public Policy Institute of California showed 67 percent of likely voters in support of the tobacco tax initiative.

The health groups spearheading the initiative -- the American Cancer Society, the American Heart Association and others -- have raised \$2.5 million, \$1.5 million from the foundation of cyclist and cancer survivor Lance Armstrong, who is co-heading the effort with former state Senate leader Don Perata, also a cancer survivor.

Heavy spending to persuade voters to reject a ballot measure is typically effective because voters are already inclined to vote no on initiatives, said Tracy Westen, CEO of the Center for Governmental Studies in Los Angeles. But, he said, it's tougher to defeat initiatives when voters are knowledgeable about the issues -- and tobacco campaigns have a steeper climb.

"Generally, Californians tend to oppose smoking and support restrictions, so the cigarette industry will have to spend their advertising budget talking about other issues," Westen said.

Well-endowed campaigns run by big industrial interests often succeed by the sheer volume of advertising. But Proposition 29 supporters are pinning their hopes on the fact that California voters have shown an ability to reject corporate advances, which are often machine-like in their highly sophisticated, poll-tested campaigns -- much like their product advertising.

Two years ago, voters turned down initiatives sponsored by PG&E and Mercury Insurance despite their lopsided funding advantages. In 1988, California's voters were also the first in the nation to pass a tobacco tax. And they approved another one 10 years later, despite massive expenditures by the tobacco industry.

Still, it has been 14 years since Californians approved a tobacco tax. Four years ago, voters rejected, on a 52 to 48 percent vote, a \$2.65-per-pack increase after tobacco companies poured \$66 million into the opposition campaign.

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TOBACCO FIRMS ROUND UP SUPPORT AGAINST CALIFORNIA CIGARETTE TAX INITIATIVE

NACS Online
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In June, California residents will cast their vote on Proposition 29, a proposal to raise cigarette taxes by \$1 to reach \$1.87 per pack.

That measure has R.J. Reynolds and Philip Morris launching quiet campaigns to defeat it, the Mercury News reports. Most of the approximately \$735 million the tax hike would bring in annually would be earmarked for cancer research.

Such a cigarette tax increase would translate into a \$1 billion per year loss in California sales for the tobacco industry, according to experts. However, the industry is keeping a low profile even as it funds anti-tax initiatives.

“I don't think it's a secret that tobacco is funding this,” said Joel Fox, president of the Small Business Action Committee. Fox is also a part of Californians Against Out of Control Taxes and Spending, a coalition against Proposition 29. “But if the tobacco folks are out there, everybody wants to say the evil tobacco companies are behind this. But there are important policy issues that have to be discussed, and it's not surprising that taxpayer groups are out front talking about this.”

Ads against the proposal target a provision that would let out-of-state groups to submit bids for research money. The tobacco companies have shelled out \$21 million so far in efforts to defeat Proposition 29.

It's been more than a 12 years since California voters have favored a tobacco tax increase. Four years ago, California voters defeated a \$2.65-per-pack cigarette tax hike.

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PROPOSITION 29 AND THE CONTRIBUTIONS OF POLITICAL CAMPAIGNS

Opinion by Karin Klein
Los Angeles Times
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No matter how you feel about Meg Whitman, head of Hewlett-Packard, former head of eBay, you'd have to concede that one of her biggest contributions to the California economy was as candidate for California governor. She lavished about \$160 million on her failed campaign, and we'd have to guess that most or all of that was spent within the state.

It might be hard to get the engine of California's economy revving again, but we do get a good, if short-term, cough out of political campaigns, and the most recent proof of this is the spending on Proposition 29, the initiative that would impose an extra dollar-per-pack tax on cigarettes and use most of the proceeds on medical research for cancer and cardiovascular and lung diseases.

As The Times prepares to go to print Friday with its editorial recommending which way to vote on the proposition (and it could be a mistake to infer anything about that editorial's conclusions based on anything written here), the latest figures on campaign expenditure have come out. The two biggest contributors to campaign for 29, according to MapLight's voter guide, are the American Cancer Society and the foundation started by bicyclist Lance Armstrong, a cancer survivor, with the two giving about \$1.5 million each. Overall, the pro-campaign has raised \$4.5 million.

Unsurprisingly, the forces against the tax have outspent them by huge margins -- almost \$24 million contributed to the No on 29 campaign, almost all of it from Big Tobacco. That's minor stuff compared with Whitman, but it does buy a whole lot of air time. Chances are you've noticed that on the airwaves lately.

Contributing to the California economy? In a way. In a very small way, compared with what smoking costs the state -- about \$9 billion a year in added medical expenses, according to the Centers for Disease Control and Prevention, with almost \$3 billion of that picked up by taxpayers to provide treatment via Medi-Cal. An additional \$8 billion is lost in productivity, and the costs per pack of cigarettes easily outstrips the actual price the smokers pay.

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