May 7, 2012

SMOKERS DODGE NEW TAXES

By The Gannett News Company
Asbury Park Press (NJ)
May 4, 2012

American smokers have shifted to pipe tobacco and large cigars since federal taxes on cigarettes were increased in 2009, a new government report concludes.

Sales of pipe tobacco and large cigars, both taxed at a lower rate, have soared as smokers have adjusted their buying habits to the new price structure.

The shift cost the federal government $615 million to $1.1 billion in uncollected tax revenue from April 2009 to September 2011, the report said. It did not estimate how much individual states may have lost in uncollected taxes.

“That’s real money and a tax avoidance scheme Congress ought to be interested in stopping,” said Gregg Haifley, associate director of federal relations at the American Cancer Society’s Cancer Action Network. “It’s also counterproductive for the public health benefit of tobacco taxes.”

Monthly sales of pipe tobacco increased from about 240,000 pounds in January 2009 to more than 3 million pounds in September 2011, the Government Accountability Office found. Monthly sales of large cigars more than doubled, from 411 million pounds to more than 1 billion pounds.

Pipe tobacco is used increasingly to make relatively inexpensive cartons of roll-your-own cigarettes in machines installed in neighborhood smoke shops around the nation.

Congress raised taxes on roll-your-own tobacco and cigarette packs in April 2009, making them equal. It enacted a smaller increase for pipe tobacco.

Congress began taxing small cigars at the same rate as cigarettes. Manufacturers of small cigars increased the weight of many of their products, so they would qualify as lower-taxed large cigars, even though they often are just slightly larger than cigarettes and have filters. Premium handmade large cigars retail for $3 to $20 or more each, but “smaller factory-made cigars that meet the legal definition of a large cigar can cost as little as 7 cents per cigar,” the GAO reported.

Liggett CEO Ron Bernstein, whose company sells discount cigarettes that are taxed at the higher rate, said his company estimates the tax loopholes have cost the government even more. About 2.7 million people purchased roll-your-own cigarettes last year, and that could reach 3 million in 2012, he said, citing data from the Treasury Department and Centers for Diseases Control and Prevention.

In a written response to the report, Treasury officials noted that the numbers "are not actual losses of revenues, but rather your estimates of the revenue increases if Congress were to change the law to eliminate the disparities."

That's the GAO's recommendation: fix the disparities.

According to the GAO report, a woman representing one tobacco company said she knew of no difference between the roll-your-own tobacco her firm formerly produced and the pipe tobacco it switched to making -- other than the federal excise tax.

Sen. Tom Harkin, D-Iowa, has 15 co-sponsors for legislation that would eliminate the tax disparities to help fund the Individuals with Disabilities Education Act, but the bill is stuck in the Senate Finance Committee.

Originally published here : http://www.app.com/article/20120504/NJBIZ/305040087/Smokers-dodge-new-taxes?gcheck=1&nclick_check=1

THE LAFFER CURVE STRIKES AGAIN

By Dan Mitchell, Senior Fellow at the Cato Institute
International Liberty Blog
May 4, 2012

I periodically explain the principles of the Laffer Curve, particularly in hopes that I will educate lawmakers that higher tax rates are a bad idea – even if they wind up generating additional revenue.

Obama's proposed class-warfare tax hikes, for instance, might pull in some extra loot for the political class to redistribute. But is it a good idea to give the politicians more money if the economy loses $5 of private output for every $1 of added tax revenue?

This is why it is never a good idea to even think about setting tax rates near the revenue-maximizing level.

Sadly, many leftists don't recognize this tradeoff. They act as if the private sector is some never-ending pinata that is forever capable of disgorging more money if subjected to enough beatings.

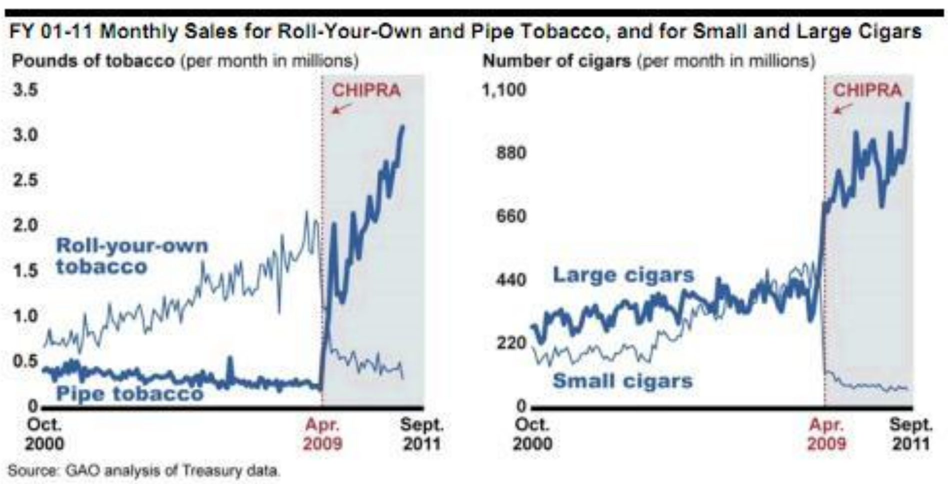
But parts of the federal government are waking up to reality. Here's some of what the Government Accountability Office discovered when investigating the impact of some tobacco tax hikes implemented a few years ago.

Monthly sales of pipe tobacco increased from approximately 240,000 pounds in January 2009 to over 3 million pounds in September 2011, while roll-your-own tobacco dropped from about 2 million pounds to

315,000 pounds. For the same months, large cigar sales increased from 411 million to over 1 billion cigars, while small cigars dropped from about 430 million to 60 million cigars. According to government, industry, and nongovernmental organization representatives, many roll-your-own tobacco and small cigar manufacturers shifted to the lower-taxed products after CHIPRA to avoid paying higher taxes. …GAO estimates that federal revenue losses due to market shifts from roll-your-own to pipe tobacco and from small to large cigars range from about $615 million to $1.1 billion for the same period.

Since the government supposedly was going to get an extra $6 billion-plus from the legislation, this is not one of those rare examples of a tax increase leading to less revenue. But the government is losing 10 percent-20 percent of the extra loot that politicians initially expected.

This chart, from the GAO study, shows the dramatic impact of the tax hike on specific segments of the tobacco market:



To summarize, big tax hikes on cigarettes, roll-your-own tobacco, and small cigars turned out to be good news for sellers of pipe tobacco and large cigars.

Or, to be more precise, it is good short-run news. It's probably just a matter of time before the politicians focus on this "loophole" that enables some consumers to protect themselves against federal rapaciousness. Indeed, the GAO study recommended to Congress that "it should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products. Specifically, Congress should consider equalizing tax rates on roll-your-own and pipe tobacco and, in consultation with Treasury, also consider options for reducing tax avoidance due to tax differentials between small and large cigars."

Needless to say, if lawmakers decide to "eliminate significant tax differentials" and "equaliz[e] tax rates," you can safely bet that they'll decide that some tax rates should go up.

What about solving the alleged problem by lowering the tax rates that are high? Those of you who have followed my writings on international tax policy already know the answer to that question.

Originally published here: http://danieljmitchell.wordpress.com/about/

TIM EYMAN, INITIATIVE ACTIVIST, WEIGHS IN ON OUR ROLL-YOUR-OWN TOBACCO STORY

By Steve Shay
The Highline Times (WA)
May 4 2012

Eyman insists increased fees on smoke shots with self-rolling machines violates Initiative 1053

Initiative activist Tim Eyman told the Highline Times that increasing fees on roll-your-own tobacco on new do-it-yourself machines cropping up in area smoke shops is indeed a tax increase on tobacco, and is therefore in violation of Initiative 1053, a bill he co-sponsored that passed statewide in 2010 by 64-percent. We reported on such smoke shops in our recent story here. That initiative passed in every county in the state.

State tobacco taxes, 15 cents per cigarette, don't apply to those produced by these machines, and Olympia wants to collect, and will, beginning in July. They passed a law to collect these fees with a simple majority, not with the two-thirds majority required for a tax increase. Legislators, and Gov. Gregoire, who support the measure, say the fee is not a tax increase, but simply an action that closes a loophole for those who have found a way around paying their fair share with these automated machines to "manufacture" their own cigarettes.

These cigarettes cost $36.50 a carton locally will almost double, with an additional $31 fee tacked on, leaving the future of such shops in jeopardy.

"I don't care how other people define what a tax increase is," said Eyman. "The only thing that's relevant is the definition of raising taxes under Initiative 1053. What the voters, who passed this by 64 percent statewide wanted was, 'I don't care if you impose taxes on all of us or some of us. We want to make sure that if you ever raise taxes, here are the rules that you've got to follow.' Their argument is, by their definition this is not a tax increase. Fine, live in your fantasy world, but your definition isn't what the law is.

He continued, "The definition of 'raising taxes' is any action that increases state tax revenue, and this absolutely does. The Office of Financial Management (OFM) did a fiscal analysis of the bill and determined it would generate higher state revenue. This is money going to Olympia, to the general fund. This an action taken by the Legislature. So. yes of course. End of discussion. It is a tax increase.

"The state budget office (OFM) is mandated by law to examine every single bill introduced down in Olympia and if it involves a tax increase they must do a 10-year cost projection on that tax increase and send out an email alert to the voters saying there's been a bill introduced that's going to raise taxes, and here are the legislators sponsoring it, and so on," he said. "Every time the bill moves through the legislative process they have to send out another email. They did this. They sent out alerts. The state government has already determined it was a tax increase. For them to say now, 'Oh no. It's not a tax increase', it's too late."

Sen. Pam Roach

Eyman sites a letter written by Sen. Pam Roach (R-Auburn), 31st District, in complaint. She writes, "There was a tax increase imposed on roll-your-own cigarettes during this year's legislative session. It was 3E2SHB 2565 (...) The definition of 'raises taxes' in Initiative 1053 is: For the purposes of this chapter, 'raises taxes' means any action or combination of actions by the state legislature that increases state tax revenue deposited in any fund, budget, or account, regardless of whether the revenues are deposited into the general fund."

She continues, "The passage of bill was obviously an 'action ... by the state legislature.' Regardless of the merits of this tax increase (I voted against it), it is important that the Legislature be honest about the bills that it passes (they weren't in this case) and follow the rules the voters require (the Legislature didn't in this case). I am very concerned that this violation of I-1053 (I was one of the initiative's co-sponsors) will only spur further I-1053 violations."

"This as an example of how sneaky, deceptive and underhanded the government is and how tax-lusting it is for money that they don't feel bound by normal laws and rules that apply to you and me," said Eyman."And so we use this as a way to say, 'Imagine how much more reckless they would be without Initiative 1053.' We need to pass a new initiative this year. We have to renew it every two years. We need to collect 300,000 signatures By July 6 for the new Initiative 1185. We call it the 'Son of Initiative 1053'. It is absolutely the same, without any added bells and whistles.

He said, "People may say, 'Well, it's only shafting a low number of these smokers. They're poor, dirty people, and shouldn't be protected anyway.' Olympia employs the age-old strategy of divide and conquer. The two-thirds majority vote unifies everybody. United we stand. Divided we fall. If they pick off one of us, they will eventually pick off all of us."

Originally published here: http://www.highlinetimes.com/2012/05/04/news/tim-eyman-initiative-activist-weighs-our-roll-you

AMERICA'S MOST OUTRAGEOUS TAX LOOPHOLES

By Ben DeMeter
San Francisco Chronicle
May 4, 2012

Say what you want about the loopholes that corporations exploit to escape taxes - at least they aren't cutting off their employees' arms to do it. Though the Florida Rent-a-Cow scam might be the latest entry on the long list of ridiculous techniques people use to avoid paying taxes, it certainly isn't the dumbest way that get out of paying Uncle Sam every April.

Whether it's due to poorly worded amendments or just horribly outdated tax codes, nearly every state in the union offers some insane way for its residents to dodge paying taxes. And while many of these loopholes, like Hawaii's "Exceptional Tree" exemption, are only good for a few thousand dollars a year, some of them are costing their respective states - and the IRS - millions of dollars in revenue every year. Here's a look at some of the craziest ways people avoid paying taxes today.

The Florida Rent-a-Cow Credit

A 1959 reform to Florida's property tax codes dramatically lowered the rates for "agricultural" land in order to encourage more farmers to work within the urban-sprawl-ridden state. However, a loophole in the law meant that anyone could legally qualify their land as farmland by stocking it with a few cows. As a result, the Walt Disney Corporation and Florida's other major landowners have found a way to collectively dodge $950 million a year in county taxes by hiring "Rent-a-Cow" ranchers to let their livestock graze on soggy lots and acres of carefully-mowed grass. Even celebrities like Tom Cruise dodge property tax on their vacation homes by letting a few sheep hang out on the lawn. Though several attempts have been made to close the loophole over the years, they've been crushed by Florida's agriculture lobby every time.

Washington's DIY Cigarette Discount

Though prepackaged cigarettes sold in Washington state are subject to the same high taxes as they are in every other state, a loophole in Washington's tax rate on straight loose leaf tobacco isn't nearly so harsh. As a result, many convenience stores have opened up "Roll Your Own" stations where customers can buy the tobacco and rolling papers at a massive discount and use a machine in the store to roll a carton's worth of cigarettes - 20 packs of 20 cigarettes, 400 smokes in total - within 10 minutes for half the price of a standard carton. According to the Seattle Times, this loophole is causing the state to miss out on $12 million in revenue every year.

The Arkansas Credit for Naturally Destroyed Automobiles

If you live in Arkansas and your new car is destroyed in an earthquake or hurricane, then you're in luck. A stipulation in the state's tax codes allows anyone whose vehicle is destroyed in a natural disaster to receive a tax break. The only stipulations are that the car must be reduced to less than 30% of its retail value and the owner must have made payments on it in the last 180 days. That's hardly a replacement for the car that got swallowed by the schism in the earth, but at least the victims will have a good story to tell at their next party, right?

The Accelerated Depreciation of NASCAR Tracks

A 2008 reform to the federal bailout legislature, known as TARP, included a very generous tax break for the owners of NASCAR's racing tracks. Instead of writing off the costs of their "motorsports facilities" over the 39 years that the government estimates it will take for the tracks to depreciate, NASCAR owners are allowed to write off their properties in seven. Thanks to the accelerated depreciation, track owners dodge a collective $40 million in federal taxes every year.

The Limbless in Oregon Tax Credit

If you or your spouse have permanent and complete loss of the use of two or more of your limbs and live in Oregon, then congratulations - you've just earned $50. Under the state's Credit for the Elderly or the Disabled, any state resident with permanent and complete loss of the use of at least two limbs is entitled to a $50 tax credit every year. In order to claim the benefit, any applicant must first have an official form signed by a health official confirming the applicant's disability before he or she files his or her taxes. If anything, you would think this would be the one loophole that Oregon would make a little more lucrative, but, on the bright side, anyone without the use of two or more limbs can also qualify for the state's Severe Disability tax break.

The Bottom Line

The only certain things in life may be death and taxes, but for as long as we continue to be taxed you can be certain that some Americans will go to ridiculous lengths to avoid paying them. Whether they're blatantly exploitive or just laughably inefficient, the numerous loopholes in America's various tax codes are costing our state and federal governments millions of dollars every April. When we finally get around to closing them, people will probably just figure out another way to dodge paying their taxes.

Originally published here: http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2012/05/04/investopedia80820.DTL#ixzz1uBkoIzO0

GUEST EDITORIAL: CARD AT 27—IT'S THE LAW

Editorial by David Gaudet, President of the BARS Program
CSP News
May, 4 2012

6% of retailers fail ID compliance tests, and growing

The FDA has warned retailers not to sell tobacco products to minors and is determined to bring storeowners into compliance. An examination of FDA failed inspections in the fourth quarter of 2011 revealed that 6% of retailers failed. Of that 6%, 87% of the failures occurred because a store sold to an underage person and did not ID under 27 years of age. Although the number of failures is minor and is evidence that the industry is making an effort to comply, the number and percentage of stores failing the stings is slowly growing.

According to a national survey cited by the Centers for Disease Control's Office of Smoking and Health (2009, National Health Interview Survey and 2009 Behavioral Risk Factor Surveillance System), 34% of U.S. high school students and 15% of middle school students use some form of tobacco product. That means 3 million kids between the ages of 12 and 17 are either lighting up or chewing tobacco. Most middle and high school smokers reported that they got their cigarettes at gas stations and convenience stores and were not asked for proof of age.

In an effort to decrease tobacco sales to these students, the FDA now requires mandatory carding for customers 27 years old and younger who are purchasing tobacco products--not just once, but every time they purchase.

The new regulation is more than checking IDs. Most violations come from age verification and underage sales; however, if minors are allowed in your store (unlike tobacco outlets, convenience stores are not age-restricted), the retailer can also be fined for having self-service displays of cigarettes, roll-your-own tobacco or smokeless tobacco; selling individual cigarettes; providing free samples of cigarettes or smokeless tobacco; and, giving gifts in exchange for buying cigarettes or smokeless tobacco.

The FDA Center for Tobacco Products (CTP) uses two enforcement tools, and there are two schedules for maximum civil penalties based on whether the retailer has a training program. The training program must meet FDA specifications. Since the CTP has not yet published the training regulations, guidelines have been provided. Violations will be assessed as if the retailer has a training program (on the lower scale) in place until training specifications have been published.

If a retailer fails the FDA tobacco compliance check, a warning letter is issued the first time. The letters are sent by tracked mail and published on the FDA's Tobacco Warning Letters webpage. Retailers have to submit a written response within 15 days explaining how they will rectify the situation at these locations where violations occurred; the FDA will conduct follow-up inspections. If another violation occurs, civil money penalties will be assessed (from $250 to $5,000 depending on the number of violations within a specific period of time). If there are repeated violations, the FDA has the option to put "no tobacco sales orders" in place. This will prevent the retailer from selling any tobacco products.

Are you in compliance? You may have passed a compliance inspection and not even know it. Or, you may have passed one inspection and may not pass the next. The CTP directly notifies retailers if they are in violation only, not if they have passed. You can, however, visit the FDA website periodically to search their database of find out if your business has undergone a compliance check.

About one-third of the expected number of stings has been performed to date. Expect more as the number of states reporting increases. Fines will become more pervasive and expensive as time goes on. Most failures are due to a lack of training.

As a self-check for your business, the FDA encourages the use of an in-store compliance check service to test employees. These services visit stores regularly to test for the purchase of tobacco and alcohol. This type of compliance check provides accountability for your employees and lets them know that your company policy regarding IDing has teeth to it. It lets them know that you take compliance seriously.

Originally published here: http://www.cspnet.com/news/tobacco/articles/guest-editorial-card-27-its-law

CIGARETTE TAX SUPPORTERS TURN IN SIGNATURES

By Rudi Keller
Columbia Daily Tribune (MO)
May 4, 2012

Supporters of a proposal to increase the tax on cigarettes by 73 cents per pack turned 220,000 petition signatures over to Secretary of State Robin Carnahan yesterday in hopes of putting the measure on the November ballot.

The proposal from Show-Me a Brighter Future, a coalition led by the American Cancer Society, would generate $283 million to $423 million annually. Half the money would be used for public school programs, 30 percent would go to higher education and 20 percent would support smoking cessation programs.

The proposal also would increase the tax on loose tobacco and smokeless tobacco products by 25 percent and classify businesses that allow customers to make their own cigarettes as manufacturers.

The proposal has two aims, said Misty Snodgrass, director of governmental affairs for the American Cancer Society. The most important, she said, is to increase the price of the product so fewer young people start smoking. The other is to provide a stable source of revenue for the targeted programs, she said.

"We know this will help prevent kids from ever starting to smoke," she said.

Undaunted by two defeats of similar measures in the past 10 years, Snodgrass said she thinks voters are ready to embrace the increase. "Those were very narrow losses," she said. The 2002 initiative, which would have increased the tax by 55 cents per pack, failed by 30,000 votes out of 1.8 million cast. The 2006 measure, to increase the tax by 80 cents per pack, failed by 60,000 votes out of 2.1 million cast.

A main opposition group, the Missouri Petroleum Marketers and Convenience Store Association, will once again mobilize its members, who are visited daily by hundreds of thousands of Missourians, said Ron Leone, executive director.

The increase is too large and will drive away customers who cross the state border to purchase cigarettes and gasoline in Missouri because low state taxes give those products a competitive edge, he said.

"We will definitely be opposing the outrageous and unreasonable 429 percent tax increase being proposed by anti-tobacco zealots who are proposing the initiative petition," Leone said.

Missouri has the lowest cigarette taxes in the nation at 17 cents per pack. Adding 73 cents to that would give Missouri a tax rate equal to the average of the eight surrounding states. The Missouri tax would be higher than four of those states — Kentucky, Tennessee, Iowa and Nebraska — and so close to that of Illinois that it would end the incentive to cross the border, Leone said.

The result would be lower state and local sales and fuel tax revenue, he said.

Snodgrass said the proposal would result in a net gain of revenue. If sales drop off, the first use of the new money would be to replace lost revenue for funds dependent on the current tobacco levy.

"There has never been a tax increase" on tobacco "that there has been a loss of revenue," she said.

A court challenge to the ballot title is pending in Cole County Circuit Court. If it survives that hurdle and has sufficient signatures — supporters need about 100,000 properly distributed among congressional districts — voters will decide the issue in the fall.

Originally published here: http://www.columbiatribune.com/news/2012/may/04/signatures-filed-cigarette-tax-petition/

PETITIONS SUBMITTED FOR MISSOURI TOBACCO TAX INCREASE

By The Associated Press
The Kansas City Star (MO)
May, 4 2012

Advocates submitted petition signatures Friday to get a proposed increase in the state's cigarette tax on the November ballot.

The proposal would raise Missouri's tax on cigarettes to 90 cents per pack up from the current 17 cents, which is the lowest in the nation. It also would increase taxes on other tobacco products while steering the additional money to education and smoking cessation and prevention programs.

The measure's backers, which include the American Cancer Society, said they submitted nearly 220,000 signatures to the secretary of state's office. To make the ballot, the proposal must garner between 91,818 and 99,600 valid signatures from registered voters. It will be up to local election officials to verify signatures and the secretary of state's office to certify the measure for the ballot.

A trial judge in Cole County is scheduled to consider a legal challenge to the ballot summary for the tobacco tax on Monday.

Misty Snodgrass, of the American Cancer Society, said the initiative would improve public health and help school districts, colleges and universities. She said the signatures show there is broad support for the idea.

This would be the third time in the past decade that a tobacco tax increase has appeared on the Missouri ballot. A 55 cents per pack increase was defeated in 2002 by roughly 31,000 votes. In 2006, an 80 cents per pack increase was rejected.

Opponents of other tobacco tax proposals have said lower tobacco taxes lure customers from other states, who contribute to Missouri's economy by purchasing more than just tobacco products.

Originally published here:
http://www.kansascity.com/2012/05/04/3594155/petitions-submitted-for-missouri.html#storylink=cpy

THINK OF THE TOBACCO TAX AS A USER FEE

Editorial by George Shelton, Capitol Journal
Los Angeles Times
May 7, 2012

Prop. 29 on the June ballot would raise cigarette taxes and generate money for research on cancer and related illnesses.

Let's begin with the basics: Tobacco companies are inherently evil.

They peddle poison that causes cancer and addicts people to their killer products.

Second, smoking is nuts. Smokers know that. Spare the lectures. Can't stop, they say.

Nonsense. Millions have. They'll stop eventually when the nurse thrusts the ventilator tube down their throat.

I've been blessed. Never smoked. But for much of my generation, lighting up was a rite of passage. Cool. And tragic. Too many have died prematurely.

All that said, Proposition 29 is not an easy call — at least at first blush.

The initiative on the June 5 state ballot would tax tobacco to fund research on cancer and other tobacco-related ailments, such as emphysema and heart disease.

The state cigarette tax would be raised $1 per pack, from 87 cents to $1.87. The feds tack on an additional $1 tax. The current average retail price for a pack in California is $5-plus, the legislative analyst reports.

Our state cigarette tax is far below the national average of $1.46, according to the Campaign for Tobacco-Free Kids. We rank 33rd.

Prop. 29 would generate roughly $800 million annually, the legislative analyst figures. Of that, $735 million would come from the cigarette tax and fund the new research.

Comparable tax hikes on other tobacco products would bring in $50 million. It would mainly be spent on existing health and smoking prevention programs, replacing revenue sure to decline when smokers begin quitting rather than pay the stiffer prices. Up to $20 million also would be gained from a higher sales tax take.

I'd prefer that any new tax money be poured into the state's deficit-ridden General Fund, especially to shore up healthcare for the poor. California's safety net has been ripped and needs mending. Schools and universities also need help.

But polling indicates my preference is a political loser. Voters don't trust Sacramento politicians to spend General Fund money wisely. They'll only vote to raise taxes — even someone else's — if they're guaranteed the dollars will be used for a cause they deem worthy.

And forget about Republicans ever providing the necessary two-thirds majority vote to pass a tax hike of any kind in the Legislature. Not even all Democrats can be counted on to boost tobacco taxes.

"I tried to raise cigarette taxes I don't know how many times," says former state Senate leader Don Perata, the Oakland Democrat who initiated Prop. 29. "The tobacco guys always had a couple of Democrats in their pockets.

"I'm no shrinking violet. If I couldn't get Democrats to vote for a cigarette tax, you really can't get it through."

So Perata and the American Cancer Society, among others, are going directly to the voters with a proposal to raise cigarette taxes that the Legislature and governor can't touch. The money would bypass the General Fund and go straight into a special research kitty.

Critics argue this spreads the plague of ballot-box budgeting — voter decisions that tie the Legislature's hands on taxes and spending. But Prop. 29 generates revenue that otherwise wouldn't exist to spend. It's not exactly tying legislators' hands if they refuse to hike the tax when their hands are free.

I've always had a different problem with the cigarette tax. It's basically cowardly, hitting smokers who are disproportionately poor and powerless.

Perata's answer: "These bastard tobacco companies just prey on poor people and the young. I remember when I was [Alameda County] supervisor, back in the '90s, they'd play ethnically appropriate music in East Oakland and parade out buxom women to hand out free samples."

But Prop. 29 isn't about tobacco companies, opponents tell us. It's about the state creating "another costly new bureaucracy"—"another new spending program."

Two things about that:

First, both the bureaucracy and the program — an administrative commission and the cancer research — would be fully funded by the increased tobacco tax. There'd be no competition for money with schools or anything else.

The entire cost would be borne by the beneficiaries, the smokers most likely to contract cancer. Call it a user's fee.

And this contrasts sharply with other voter-approved state programs such as high-speed rail and stem-cell research. Neither of those ventures has a dedicated revenue stream. They're financed by bond debt paid off by the General Fund.

Second, the tobacco companies must think the ballot measure is about them. Otherwise they wouldn't be spending tens of millions to defeat it — $24 million so far, undoubtedly climbing to at least double that by election day.

Tobacco probably will outspend the Prop. 29 backers — cancer, lung and medical groups, including cyclist Lance Armstrong's foundation — by at least 10 to 1.

Tobacco companies realize, of course, that if Prop. 29 passes their profits will suffer.

"Every 10% increase in the cigarette price results in a 4% decrease in adult usage and 7% decrease in youth consumption," says James K. Knox, California lobbyist for the American Cancer Society. "Our projections are that Prop. 29 would induce more than 100,000 adults to quit and prevent 220,000 kids from starting."

Today, 12% of California adults smoke, and about 14% of high schoolers do, according to the Campaign for Tobacco-Free Kids. The medical cost directly attributed to smoking is $9 billion.

On Prop. 29, my heart says yes. My head agrees.

The more cancer research the better. And who better to pay for it than smokers and their evil enablers, the conveyors of cancer.

Originally published here: http://www.latimes.com/news/local/la-me-cap-tobacco-tax-20120507,0,5061214.column

GASOLINE PRICES ARE FUNGIBLE …BUT NOT FUN

By Ken Kaszak
Pittsburgh Post-Gazette (PA)
May 5, 2012

I've become obsessed with the word "fungible" (fuhn-juh-buhl). The simple definition is this: Items are fungible when they are interchangeable. You lend me $10 and I pay you back with two $5 bills. The currency is fungible. But when you lend me your '68 Cobra Shelby Mustang and I give you back my '75 AMC Pacer, those two items are not fungible.

Fungible is a word that has major importance when the causes of increasing gas prices are debated. Not only is the gasoline refined from oil fungible and sold into the world market at world prices, the commodity also has the most inelastic demand of any product I know. Demand inelasticity means a price increase doesn't change how much we buy.

Compare gas prices to cigarette prices. Increases in the price of cigarettes results in people switching to generic brands, going to the Roll Your Own kiosk and, amazingly, some people quitting. But you can't really switch at this point to an alternative fuel, can't drill your own crude, and it's difficult to quit driving.

Higher gas prices are being met with little resistance because the world is growing up and they want to drive cars. In 1998, China delivered 1.5 million cars. They are now putting 2 million cars on the road per month. The amount of oil used in the world increased by about 1 million barrels per day last year and passed 90 million barrels (U.S. consumption is stated at about 20 million barrels per day).

When Newt Gingrich stated he could deliver $2.50 per gallon gasoline if he was elected president, it was the third man in a two-man race trying to make some noise. He would have zero control over the price of gasoline if he was elected president, king or pope.

When Mitt Romney called Barack Obama the "anti-energy president," he was trying to make some noise at the expense of the facts. During Mr. Obama's time in office, the amount of oil produced domestically has increased. Our country is producing more oil than at any time since 2003. That gain arrived with a corresponding decrease in usage.

But if Mr. Obama tried to take credit for the increase, it would be improper and inappropriate. Production and pricing numbers are beyond the grasp of any elected office ... or person wanting that office.

The "Drill, Baby, Drill" crowd needs to learn what their mantra would do to the price of gasoline. And that would be almost nothing. The U.S. provides 11 percent of the world's oil output. A dramatic increase in production, which couldn't happen without a corresponding increase in infrastructure, would have minimal downward pressure on pricing.

Americans have a hard time accepting that we don't or can't control the price of gasoline. We're a high-cost producer using more than we produce. We're not calling the shots. The U.S. is drilling about 15 percent more oil today than three years ago, and the price of gas has still increased. And this is in a market where domestic consumption has decreased.

So what could lower the price of gasoline? One way is if the developing world stops developing. But do you want that? I don't.

We can root for a speed up in the usage of compressing natural gas and liquefied natural gas. The products, infrastructure and tax incentives are not quite here yet.

What can you do to overcome today's gas prices? Use your car more efficiently. Plan trips so you take care of many errands on the same journey. Organize a car pool. Get out the old Schwinn 10-speed. The exercise will do you good. And always wear your helmet.

Originally published here: http://www.post-gazette.com/stories/business/opinion/business-forum-gasoline-prices-are-fungible-but-not-fun-634468/