



## DAILY NEWS CLIPS

May 21, 2012

### **SMOKERS ALTER BUYING HABITS: PIPE TOBACCO, ROLL-YOUR-OWN MACHINES SAVE ON TAXES**

By Cara Matthews and Brian Tumulty

LoHud.com (NY)

May 18, 2012

Jim Petro spent about 15 minutes inside New Middletown Tobacco one recent evening, depositing pipe tobacco and tubes he bought into a \$30,000 rolling machine and emerging with a carton's worth of cigarettes.

The purchases and "rental" of the machine set him back \$33. A carton of cigarettes would cost him more than \$100, he said. New Middletown Tobacco is offering a special through May: 200 cigarettes for \$30.99 plus tax.

"Two packs of cigarettes at that store equals a carton of cigarettes in this one," said Petro, 45, pointing to a Gulf station convenience store across the street.

Petro is one of many New Yorkers who switched from name-brand to roll-your-own cigarettes to save money. There have been "sizable market shifts" in Americans' smoking habits since federal taxes were raised in April 2009, a recent report from the Government Accountability Office found.

Three years ago, Congress boosted taxes on both roll-your-own tobacco and packs of cigarettes, making them equal. Since then, monthly sales of pipe tobacco and large cigars, which are taxed at a lower rate, have skyrocketed from about 240,000 pounds in January 2009 to more than 3 million pounds, the report said.

Excise tax on a pack of cigarettes was raised to \$1.06, with similar hikes on roll-your-own tobacco and small cigars. The excise tax on roll-your-own tobacco was set at \$24.78 per pound, compared with \$2.83 per pound for pipe tobacco. As a result, pipe tobacco is increasingly used for roll-your-own cigarettes in machines at neighborhood smoke shops nationwide.

The market shift cost the federal government an estimated \$615 million to \$1.1 billion in uncollected tax revenue between April 2009 and September 2011, the report said.

Roll-your-own machines are scattered across New York, including stores in Garnerville, Nanuet and Orangeburg. Ciggy's 4 Less in New Rochelle recently closed.

A report released last month from the federal Centers for Disease Control and Prevention estimates New York lost \$16.9 million in potential tobacco tax revenue from April 2009 to August 2011. Just three states lost more.

*Originally posted here:* <http://www.lohud.com/article/20120519/NEWS03/305190039/Smokers-alter-buying-habits-Pipe-tobacco-roll-your-own-machines-save-taxes?odyssey=mod%7Cnewswell%7Ctext%7CNews%7Cs>

## **TOPINKA ENDORSES CIGARETTE TAX HIKE, WITH CONDITIONS**

By the Associated Press  
State Journal Register (IL)  
May 17, 2012

Illinois Comptroller Judy Baar Topinka joined the call for higher cigarette taxes Thursday, but she has a few conditions.

Topinka said she would support the increase only if it's accompanied by gambling expansion, including a Chicago casino and slot machines at racetracks.

"Our biggest problem in this state is spending, and that has to be addressed," Topinka said in a statement. "But the reality is that increased revenue also has to be a part of balancing the budget, and this compromise accomplishes that as well."

Democratic Gov. Pat Quinn wants to nearly double the cigarette tax, to \$1.98 a pack, as part of closing a \$2.7 billion hole in the Medicaid health program. His plan also includes about \$2 billion worth of cuts to services and payment rates.

Many Republicans oppose the cigarette tax. Immediately after Quinn released his proposal, GOP leaders in the Illinois House and Senate said they would reject "any tax increase" to support Medicaid.

Quinn supports a Chicago casino but has balked at adding slot machines at racetracks.

*Originally published here:* <http://www.sj-r.com/top-stories/x364600549/Topinka-endorse-cigarette-tax-hike-with-conditions>

## **TOP STATE HEALTH OFFICIAL IN PEORIA, TOUTS PROPOSED CIGARETTE TAX**

Sarah Garfinkel  
Journal Star (IL)  
May 16, 2012

The new acting director of the Illinois Department of Public Health listened to the problems and ideas of central Illinois public health professionals Wednesday morning.

In a roundtable discussion at the Peoria City/County Health Department, LaMar Hasbrouck heard from representatives of health departments in Peoria, Tazewell, Woodford, Stark, McLean, McDonough and Knox Counties about the state of service for their residents.

Hasbrouck also took some time to promote the positive impact he believes a proposed cigarette tax increase could bring to Illinois. The measure would, for the first time in 10 years, increase the state's cigarette tax by \$1.

'It's important for us to address preventable causes of premature death, disease and illness, and the financial burden that brings to the state,' he said, adding that tobacco related illnesses cost the state \$4 billion a year.

While also concerned with the health risks of tobacco, those at the table expressed worries over a number of growing problems.

Local health departments face ever increasing budget cuts, even as the number of those needing their services increases. Most mentioned in Wednesday's discussion were a lack of sufficient care in the areas of mental and dental health.

Hasbrouck said he does not have a solution to the problems, but there are steps the departments can take toward finding a long term solution.

'Departments need to be prepared to do more with less,' he said. 'We're going to have to work more collaboratively together and be more creative about partnerships. Because we may not have more money coming down the line, more staffing coming down the line, but partnerships is something that can always be exploited and have a multiplying effect.'

Many of the county health departments already are forming partnerships with other local agencies. Most notably, the Peoria City/County Health Department is currently in discussions with colleges and health care organizations to collectively employ an epidemiologist who would conduct research and keep tabs on medical issues within the community.

*Originally published here:* <http://www.pjstar.com/news/x1035956913/Top-state-health-official-in-Peoria-touts-proposed-cigarette-tax>

## **ALTRIA CEO CONDUCTS HIS FINAL SHAREHOLDER MEETING**

By Michael Felderbaum  
Bloomberg Businessweek  
May 17, 2012

Outgoing Altria Group Inc. CEO Michael E. Szymanczyk finished his final shareholder meeting on Thursday much the same way as his first -- fielding attacks against the nation's largest tobacco company.

The owner of top-selling Marlboro cigarette maker, Philip Morris USA, held its annual meeting Thursday in its headquarters city of Richmond. It marked the last day for Szymanczyk, who has served as chairman and CEO since March 2008 and in the same capacity for Philip Morris USA from August 2002 through July 2008 before the company spun off Philip Morris International Inc.

"It has been an honor to lead the reshaping of Altria," said Szymanczyk, who got choked up during his closing remarks about his 23-year career. "Altria and its companies have experienced significant change since I first

joined the company. Change is not new for our companies. They have been successful for more than a century because they have demonstrated the ability to adapt in dynamic industries and to the world around them."

Martin J. Barrington will replace Szymanczyk as CEO and chairman, and David R. Beran will serve as president and chief operating officer.

During his presentation to shareholders, Szymanczyk touted Altria's premium brands like Marlboro and said the company is well-positioned for future growth in a changing industry. In addition to Philip Morris USA, Altria owns U.S. Smokeless Tobacco Co., maker of brands such as Copenhagen and Skoal, and Black & Mild cigar maker John Middleton Co. The company also owns a wine business and holds a voting stake in brewer SABMiller.

In 2011, the company saw its net income fall 13 percent to \$3.39 billion on lease, legal and restructuring charges. Its net revenue excluding excise taxes fell nearly 2 percent to \$16.62 billion. Shipments fell 4 percent to 135.1 billion cigarettes, largely on declines from its premium brands.

However its 2012 first-quarter profit rose almost 4 percent as higher prices and cost-cutting helped offset declines in cigarette volumes. Shipments fell 2.6 percent to 31.1 billion cigarettes, but the Marlboro brand gained market share and ended the period with a 42.3 percent of the U.S. retail market.

"For nearly 60 years, Marlboro has been the cigarette that men smoke for flavor, and adult smokers have been invited to 'Come to where the flavor is. Come to Marlboro Country,'" Szymanczyk said, adding that the company is evolving the brand to try to keep it growing and steal smokers from its competitors.

Like other tobacco companies, Altria is focusing on cigarette alternatives -- such as cigars, snuff and chewing tobacco -- for future sales growth because the decline in cigarette smoking is expected to continue.

Altria also has been forced to cut costs as tax hikes, smoking bans, health concerns and social stigma make the cigarette business tougher. After completing a \$1.5 billion multiyear cost savings program last year, the company rolled out a plan to cut \$400 million in "cigarette-related infrastructure costs" by the end of 2013 in advance of anticipated cigarette volume declines.

Szymanczyk said cost-cutting "continues to be a priority."

Over the years, the question-and-answer sessions of tobacco company annual meetings typically feature various groups attacking them for selling products that are responsible for about 443,000 deaths a year in the U.S. Szymanczyk's final shareholder gathering was no exception.

"With your retirement, I'm sure you look at your legacy. Certainly you and the company have a passion for success. I'm not sure about satisfying your customers and their preferences unless they all have a death wish," Anne Morrow Donley, co-founder of the Virginia Group to Alleviate Smoking in Public, told Szymanczyk. "At some point in the future, you and the company may indeed be charged with crimes against humanity -- I look forward to that."

The 63-year-old Szymanczyk did not respond to those remarks. He also has declined numerous requests for an interview with The Associated Press.

Shareholders on Thursday elected 11 directors to the company's board and rejected a shareholder proposal to have the company disclose its lobbying policies and practices.

Altria on Thursday also reaffirmed its full-year adjusted earnings guidance of between \$2.17 and \$2.23 per share. It also announced that its board declared a regular quarterly dividend of 41 cents per share. The dividend is payable July 10 to shareholders of record on June 15.

Originally published here: <http://www.businessweek.com/ap/2012-05/D9UQJLCO0.htm>

## **LETTER: CIGARETTE TAX IS A BAD IDEA**

Letter to the Editor by Toby Stalnaker, Owner, Breaktime in Buena Vista  
Rockbridge Weekly (VA)  
May 19, 2012

Dear Editor, Rockbridge Weekly:

The city council in Buena Vista needs to look at their new (proposed) cigarette tax as a business issue and not one about smoking. It is easy to go after cigarettes because of the health reasons. But an argument can also be made against alcohol and soft drinks.

Cigarettes make up about 50% of all convenience store sales. Would the city council put up a sign coming into Buena Vista that reads: "Welcome to Buena Vista. If you shop at our stores half of you will be charged \$3.00 for the privilege"?

We are mobile society. In the twenty-five years that my father and I have been in business, we have seen people drive 20 miles to save 5 cents on gas. If it weren't for bargain hunters there would be very few Sunday papers sold. Have the council members ever been to a yard sale? Have they ever been to WalMart on Black Friday?

Business owners know that people are creatures of habit. We also know that customers will change their habits to save money. Once they begin to stop at other stores outside the city limits to buy cigarettes, they will buy other items there as well. Once this pattern is established it becomes their new habit. With a new Sheetz store opening in Lexington, can the city council afford to hand them the sales tax revenue that should belong in Buena Vista? Sheetz has a reputation of selling gas at or below cost for the first year they are open. They do this to gain new customers and to force local stores out of business.

How much business can a small store afford to lose? None. Doesn't the council realize that if the local stores thought they could charge 10 to 30 cents more per pack, they would? In order to stay competitive, there is where the price point has landed. Anyone who knows basic economics will tell you that when price goes up, demand goes down. What is the tipping point for the stores in Buena Vista? It is a 10% loss in business or a 20% loss? Jerry Wegger, the director of sales for all Sheetz stores, said that a 25 cent cigarette tax in Stephens City last year cost their store a 50% loss in cigarette sales and losses in other categories as well. (godanriver.com)

The council members have not considered the extra labor costs on the businesses. If the average store sells 100 cartons a week, that would be 1000 packs of cigarettes that need to be stamped. How much time and how many workers will it take to stamp 1000 packs of cigarettes each week?

If the council wants the city to continue to deteriorate into a ghost town, then this might be the path to take. But if they want to bring the city back to life, they need to promote new business, and not attack their existing revenues streams.

*Editor's note: Toby, your excellent logic apparently was a huge influence on most city council members on Thursday, May 17, 2012. Mayor Hogan later said, "the issue of the cigarette tax is dead" or words to that effect. Your presentation before council is a perfect example of reason and logic that other citizens may use to get negative proposals off the table. Congratulations. MarVita Flint's concerns about the cost of implementation, Mike Clements's comments and those of Tony McDaniel and Dickie Lowe were convincing too.*

Originally published here: [http://www.rockbridgeweekly.com/rw\\_article.php?ndx=23886](http://www.rockbridgeweekly.com/rw_article.php?ndx=23886)

## **NO ON PROP. 29 ADS PAID FOR BY BIG TOBACCO: LETTERS TO THE EDITOR FOR THURSDAY, MAY 17, 2012**

Letter to the Editor by David Holland  
Daily News—Los Angeles, California  
May 17, 2012

### ***Re "No on Prop. 29" (Editorial, May 14):***

In the endorsement against Proposition 29, the editorial argues that the state has other problems to deal with. Of course, this measure would in no way interfere with efforts to deal with those problems, but this kind of subterfuge is what the "no" on Prop. 29 campaign is all about. Consider the ads with a man in a white lab coat standing in what appears to be a medical lab. Note that he is not identified. Why? Because he is not a doctor or lab worker; he is an actor standing on a set and he is speaking in exchange for blood money from big tobacco. Vote "yes" on Prop. 29.

Originally published here: [http://www.dailynews.com/news/ci\\_20640287/no-prop-29-ads-paid-by-big-tobacco?source=rss](http://www.dailynews.com/news/ci_20640287/no-prop-29-ads-paid-by-big-tobacco?source=rss)

## **ANOTHER VIEW: PROP. 29 DESERVES TO GO UP IN SMOKE**

Opinion by Michael M. Rosen  
North County Times (CA)  
May 20, 2012

The corporate/legal/tax capital of the country, Wilmington offers not only a friendly home for taxation- and regulation-weary American companies, but also some important lessons for states, such as California, intent on imposing yet more unwise tax barriers.

Take Proposition 29, for example. Californians have just a few weeks to weigh this measure ---- appearing on the June 5 ballot ---- which would hike tobacco taxes by a buck a pack to fund cancer research.

The initiative, according to its ballot summary, would "impose (an) additional five-cent tax on each cigarette distributed (\$1.00 per pack), and an equivalent tax increase on other tobacco products, to fund cancer research and other specified purposes."

Supporters estimate the measure will bring in some \$735 million annually.

Specifically, Prop. 29 would "require tax revenues (to) be deposited into a special fund to finance research and research facilities focused on detecting, preventing, treating, and curing cancer, heart disease, emphysema, and other tobacco-related diseases, and to finance prevention programs.

Proponents reckon the measure will prevent 220,000 kids from starting to smoke, spur 100,000 adults to quit, and prevent more than 300,000 premature deaths.

The American Cancer Society and the Lance Armstrong Foundation are the major donors to the Yes on 29 campaign, followed by the American Heart Association and the American Lung Association.

On the other side, Philip Morris has poured \$23.6 million into the anti-29 cause, while R.J. Reynolds has contributed an additional \$9.6 million, collectively outraising the proponents' campaign by a 10-1 margin.

Ultimately, while I'm loathe to side with Big Tobacco, Prop. 29 sounds like a bad idea.

Don't get me wrong. I find smoking a disgusting and destructive habit, and I'm only too happy when private businesses like bars and restaurants decide to ban smoke from their premises. I also recognize the serious public health implications posed by cigarettes, and appreciate that higher taxes present a serious deterrent.

But cigarette taxes are among the most regressive of taxation regimes, which means those struggling the hardest amidst our statewide economic Armageddon will suffer even more.

Hiking tobacco taxes would also beget tax-avoidance behavior. A spokesman for the National Association of Tobacco Outlets (yes, there is such a thing) observes that "California already faces a significant amount of contraband trafficking in cigarettes and a \$10-per-carton tax increase is likely to increase this kind of illegal behavior to the detriment of law-abiding tobacco retailers."

Local 7-Eleven franchise associations have followed suit, fearing lower revenue from higher death-stick taxes.

More importantly, though, Prop. 29's funding mechanism is likely to trigger all kinds of problems, mainly because it endows a nine-member bureaucracy with a substantial bank account without imposing any kind of accountability ---- a shortcoming that has afflicted previous initiatives.

As Debra Saunders noted recently in the San Francisco Chronicle, Proposition 71, which created the California Institute for Regenerative Medicine, paid former California Democratic Party Chairman Art Torres \$225,000 and investment banker Jonathan Thomas \$400,000 to serve as chairman for four days a week.

The new Prop. 29 bureaucracy ---- which would comprise three UC chancellors, three California-based Cancer Center Directors, and three at-large members ---- would, by some accounts, be authorized to spend up to \$125 million each year on office space, consultants and travel expenses.

"We don't think it makes sense to create a new body of political appointees to oversee this money when the money coming in simply won't be enough to keep the program going," says David Kline of the California Taxpayers Association. "The fact that they are all political appointees raises the issue of whether there will be more politics involved than hard science or real budgetary expertise."

And as the opponents' now-infamous (and ubiquitous) TV and radio ad correctly observes, nothing in the measure precludes the committee from funding research conducted in other states.

Interesting, the American Cancer Society lobbyist plumping for Prop. 29 told the Sacramento Bee that the initiative channels funds to a new cancer-fighting bureaucracy because voters wouldn't support a tax that pays for the state general fund, leading the Bee reporter to conclude that, in the lobbyist's opinion, "voters don't trust lawmakers with the money."

On that, perhaps, both Prop. 29 proponents and opponents can agree. It's far better to funnel tax revenue to worthy programs, such as fighting cancer and reducing smoking. But it's better still to ensure those funds are used wisely, properly and locally, and Prop. 29 flames out in those respects.

*Originally published here:* [http://www.nctimes.com/news/opinion/perspective/another-view-prop-deserves-to-go-up-in-smoke/article\\_1091c3d0-6496-5588-b42c-40d164c36800.html](http://www.nctimes.com/news/opinion/perspective/another-view-prop-deserves-to-go-up-in-smoke/article_1091c3d0-6496-5588-b42c-40d164c36800.html)