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Friday December 17 8:18 PM ET

New York State to Double Cigarette Tax to \$1.11 a Pack

NEW YORK (Reuters) - New York State on Thursday said that it will double the tax on cigarettes, which will raise the cost to more than \$4.00 a pack, under a plan to help pay for health insurance for nearly one million uninsured New Yorkers.

New York State's tax of \$1.11 a pack would be the highest in the nation, according to the New York Public Interest Research Group. Hawaii and Alaska have the highest cigarette taxes, charging \$1 a pack, followed by California, which has an \$0.87 levy.

Gov. George Pataki said the tax increase -- from \$0.56 a pack to \$1.11 -- also would help support anti-smoking efforts. New York Public Interest Research Group, an advocacy group, said that every 10 percent increase in the cost of cigarettes triggers a four-percent drop in smoking by adults.

Smoking in New York will fall once this plan passes, or it will cause people to smoke cheaper brands of cigarettes to reduce the effect of the tax increase, Goldman Sachs tobacco analyst Marc Cohen said.

"It's a significant increase in one state," he said.

Maura Payne, a spokeswoman for R.J. Reynolds Tobacco Holdings Corp. (NYSE:RJR - [news](#)), the nation's No. 2 cigarette maker, pointed out that cigarette taxes mainly hurt low-income people.

She also faulted the state for planning to raise cigarette prices on the heels of price hikes and marketing restrictions triggered by last year's \$206 billion national tobacco accord.

Shares of R.J. Reynolds ended Friday at 18 3/16, while Phillip

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[State To Fight Flavored Cigarette Sales On 'Net - Channel 4000 News \(12/22/99\)](#)

[Canada Launches \\$1 Bln Tobacco Lawsuit - Reuters \(12/21/99\)](#)

[Canada Claims Tobacco Co. Smuggling - AP \(12/21/99\)](#)

[Canada Sues RJR for Tobacco Smuggling - Business Week Daily \(12/21/99\)](#)

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[Legal Basis for the Federal Tobacco Law Suit - from Action on Smoking and Health, Sept 22, 1999.](#)

[Philip Morris: Tobacco Issues - from the company web site. Includes acknowledgement of smoking's dangers in Cigarette Smoking: Health Issues for Smokers section.](#)

[WHO Report on Tobacco Smoke and Child Health - complete text; released 6/16/99.](#)

[After Tax Hike, Cigarette Sales Go Up In Smoke - looks at data that indicates a drop in California cigarette sales since the January 1, 1999, tax hike, and presents](#)

John Gish

Morris Co.s (NYSE:MU - news) closed at 22 3/4.

Goldman's Cohen said he fears that governments are going to find the habit of tobacco revenues hard to shake. State and federal governments collect \$25 billion to \$30 billion from tobacco sales, while the tobacco industry only earns \$5 billion, he said.

"If legislators don't become more careful about this, they are going to be running the cigarette companies themselves to keep the revenue stream going," Cohen said.

New York's cigarette tax increase was announced as part of a \$2.9 billion healthcare program that will provide coverage for uninsured New Yorkers, according to Assembly Speaker Sheldon Silver, a Manhattan Democrat.

The New York State Senate also had agreed to the plan, which could be enacted into law as soon as next week.

Pataki said, "This proposal ensures all New Yorkers -- from our cities to our rural communities, upstate or downstate -- will continue to have access to high quality hospital care."

The state must re-enact the healthcare plan by Dec. 31, when the current legislation expires, or risk losing federal aid.

The new program, which will last for three-and-a-half years, also will rollover the current cost containments in the Medicaid program. Those measures are worth about \$3 billion over three-and-a-half years, Pataki said.

The new health plan also will be funded with about \$1.35 billion of the state's share of the national tobacco settlement during that three-and-a-half year period.

But that still will leave the state with more than \$360 million that it has not yet decided how to use, according to the state Division of Budget.

Pataki estimated that the new cigarette tax increase will raise \$400 million, but he did not say over what period. A Pataki spokesman was not immediately available.

The new plan expects to save businesses \$60 million by reducing the so-called covered lives assessment paid by insurers, which funds Graduate Medical School Education. Another \$54 million will be saved by patients who undergo blood tests, pap smears and other routine lab tests.

different viewpoints on whether higher taxes help smokers quit, or if they're punitive and unfair. From Policy.com, September 15, 1999.

Brown & Williamson - home page of the tobacco company.

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The High Road on Tobacco - Christian Science Monitor (12/06/99)

Tobacco Ads Retreat - Christian Science Monitor (11/17/99)

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Reel of the new civil empire - The Economist (11/09/99)

When lawyers inhale - The Economist (05/20/99)

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Possible vaccine for smokers - Environmental News Network (12/13/99)

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