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Hidden Casualty of HCRA 2000 Tax Increase: Your Neighborhood Convenience Store

The Health Care Reform Act 2000 plan announced today will put hundreds of neighborhood convenience stores across upstate New York in critical condition.

"By raising the state excise tax on cigarettes from the current 56 cents per pack to $1.11 per pack, HCRA 2000 will make an already uneven retail playing field ridiculously lopsided, exacerbating an undeserved economic hardship our industry has been saddled with throughout the 1990s," said James Calvin, President of the New York Association of Convenience Stores.

"New York's *existing* tax policy already places us at a severe competitive disadvantage," he pointed out. "First, Native American stores are unfairly allowed to avoid charging any state taxes on tobacco sales to non-Native Americans. Secondly, bordering states have lower excise tax rates, such as Pennsylvania at 31 cents. The higher New York's excise tax rate, the bigger the incentive to New Yorkers to travel to Native American and cross-border stores, and the more taxable sales our businesses -- and the State -- will lose.

"We estimate that this tax hike will drive $750 million to $1 billion a year in tobacco and related purchases away from our legitimate, tax-paying businesses. What a splendid Christmas present for mom-and-pop stores that rely on the responsible sale of tobacco products to adult customers for 25 percent or more of their in-store trade."

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Calvin said the tax hike's impact on overall tobacco consumption is not the retailers' chief concern. "If the pie gradually gets smaller, we'll adapt. But this tax increase, by widening the gap in retail price to a gulf, will simply chase customers to Native American reservations and border states, shrinking our slice of that pie to a sliver overnight. Any hope of fairly competing for retail trade will vanish, condemning our industry to eternal losses of traffic and sales, and placing thousands of full-time and part-time jobs in jeopardy."

"We join other New Yorkers in applauding the Governor and legislative leaders for their efforts to improve the health care system," said Calvin. "It is unfortunate that in their zeal to meet the funding demands of the health care industry, they chose to ignore the impact of this 98 percent tax increase on family-owned retail stores that are caught in the cross-fire. The ironic thing is that the stores that do survive will no longer be able to afford to pay their employees health care benefits, further adding to the State's cost of covering the uninsured."

Calvin continued: "If the objective was to inflate prices so people quit smoking, this tax hike is unnecessary, since the tobacco companies have been sharply increasing their prices over the past several months, and the federal excise tax on cigarettes goes up 10 cents per pack on January 1st. If the goal is to pay for health care programs, the tax hike is likewise unnecessary. All the State needs to do is to require Native American stores to collect state taxes on sales of tobacco to non-Native Americans, as required by state law and a 1994 ruling of the U.S. Supreme Court. That would provide at least $500 million a year in additional revenue. As for long-term fiscal policy, someone should be asking whether it is sound for the State of New York to increase its dependency on tax revenue from the sale of a commodity it is openly and actively trying to persuade citizens to stop using."

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