

JOYCE PURNICK

Metro Matters

# An End Run Around Tax On Cigarettes

DOCTORS and scientists are thrilled with New York's new tax on cigarettes, and with good reason. Once the higher tax kicks in, cigarettes in New York will be more expensive than anywhere else in the country. The price will inevitably turn some smokers into nonsmokers and deter many young people from ever picking up one of those noxious weeds.

But the medical community and lawmakers who approved the new tax aren't the only ones cheering.

Sold to Larry Ballagh, proprietor of a smoke shop on an Indian reservation in Irving, near Buffalo. Customers at his shop do not pay taxes, so the State Legislature has made him one happy fellow. "God bless them," said Mr. Ballagh, a member of the Seneca nation. "Every time they do it, more people come," he said, referring to the Legislature's decision to raise the tax. "I guess there is some indication that an increase in prices does encourage a certain number of people to quit, which may be a good thing. But New York State taxes make our product more attractive."

It would seem so. The folks at the Shinecock Smoke Shop in Southampton bought a full-page ad in The New York Post recently illustrated with an Indian in feathered headdress. And the Web is crowded with cigarette come-ons. Just one site — [webmaster@discount-cigarettes.org/](http://webmaster@discount-cigarettes.org/) — lists a screen after screen of vendors, from [BigIndian.com](http://BigIndian.com) to [SmokemCheap.com](http://SmokemCheap.com).

As for the small mom-and-pop operation in the established business enterprise, undersell traditional stores by at least \$10, selling top brands for \$22.35 to \$24.99 a carton (plus \$1.50 for shipping).

One regular customer of an Indian

## An anti-smoking measure may benefit some smoke shops.

smoke store in Shirley, Long Island, where several smoke shops dot suburban streets, stocks up every month. "It's a big saving," he said. "Why not?"

Non-Indians are supposed to pay state and local taxes in reservation shops, but... they do not, and now the Internet brings the tax-free benefits of reservation shopping to smokers without cars.

With the tax soon almost doubling to \$1.11 a pack, cigarettes will cost more in New York than anywhere else in the country: about \$4 a pack and \$42 a carton in New York City. The incentive to find bargains will be greater than ever — as will the incentive to provide those bargains.

Hence a few troubling predictions along with the happy ones about declines in smoking: that the higher price will energize Internet, mail order and reservation sales, as well as the already healthy black market in cigarettes smuggled in from other states. People with conventional stores in Binghamton and other towns near Pennsylvania, where the taxes are lower, worry about losing customers.

Nobody keeps reliable statistics, but estimates are that tax-free sales online and in reservation shops now account for a very small percentage of cigarette sales. The same for the black market. But there are signs of growth.

According to the federal Bureau of Alcohol, Tobacco and Firearms, states with the highest cigarette taxes in 1998 were losing \$100 million a year in potential tax revenues to smuggling. After Maryland raised its tax last year to 66 cents a pack from 36 cents, state authorities said that in three months, they made more arrests for cigarette smuggling (nine) than in the entire previous year (five). In previous years, when New York raised taxes much higher than neighboring states, truckloads of cigarettes were smuggled in from states with lower taxes.

THE new tax is to help to finance health care coverage for up to one million uninsured New Yorkers. If too many sales go untaxed, then what?

"Good things are going to happen for the uninsured, but we are concerned about uncollected taxes," said John McCardle, a spokesman for the Republican majority in the State Senate. "It's a mixed bag."

Joseph Conway, spokesman for Gov. George E. Pataki's budget division, said that the budget office considered uncollected taxes and potential declines in smoking in its calculations. He said details would have to wait until the governor's budget presentation later this month.

Dr. K. Michael Cummings, with the State Department of Health's Roswell Park Cancer Institute in Buffalo, said what matters is that cigarette smoking will decline.

"Yes, there are people who will buy on the Internet and on Indian reservations, but a big proportion? No. Will the tax have a deterrent effect on cigarette smoking? Yes."

Cigarette sales declined elsewhere when taxes went up. Nobody can say with certainty, though, whether those figures represented fewer smokers, or more enterprising shoppers.

86102968