



New York Association of Convenience Stores
130 Washington Avenue, Suite 300, Albany NY 12210

TELEPHONE: (800) 33-NYACS or (518) 432-1400 FAX: (518) 432-7400

NYACS Opposes Regressive Cigarette Tax Proposal

1. Burdens Low-Income Earners: Cigarette excise taxes are regressive. If the proposed \$1.00 tax increase is passed, then an average adult smoker earning less than \$15,000 a year will face at least a 20.8% tax on their income compared to a maximum tax of 3.1% for adult smokers earning more than \$100,000. Worsening the regressive impact, 20.6% of adults in New York who earn less than \$15,000 are smokers, whereas only 7.2% of adults who earn \$100,000 annually are smokers.¹

2. Harms Retailers: According to the National Association of Convenience Stores, tobacco is the top revenue generator, accounting for 35.8% of in-store sales nationwide.² Increasing the excise tax could hurt legitimate retailers when adult smokers shift purchases across state lines or to other outlets, such as the Internet. This would negatively affect New York's 13,540 retailers.³

3. Increases Illegal Smuggling: An excise tax increase could provide incentives for smuggling and other contraband activities, resulting in lost tax revenues. According to the former chief of the Alcohol and Tobacco Enforcement Branch for the Bureau of Alcohol, Tobacco, Firearms and Explosives "The smuggling problem is pervasive. As many as one-fifth of all cigarettes purchased in the United States annually — about 3 billion packs — are sold illegally. Nationwide, these illicit sales result in \$3 billion to \$7 billion a year in lost tax revenue to states and localities."⁴

4. Uncertain Revenue Source: Total state tax-paid cigarette sales in New York declined an average of 5.6% a year for the last ten years.⁵ If this trend continues or accelerates, the New York government will collect less revenue from cigarette excise taxes over time resulting in large funding gaps.

5. Weakens Economic Growth: Tax increases harm the economy by suppressing consumer spending, straining household budgets, and curbing retailer sales. As the Congressional Joint Committee on Taxation (JCT) points out "because smokers [pay] more in aggregate to smoke, they consume less of other goods and services in the economy. This implies that incomes of producers and workers in other sectors will decline. As incomes in other sectors decline, receipts from income and payroll taxes decline."⁶ While always harmful, the adverse consequences from increasing taxes are particularly damaging today given the weak economy and high inflation environment.

¹ Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System; Prevalence and Trends Data; Nationwide (States and DC) – 2021 Tobacco Use, Centers for Disease Control and Prevention, at <https://www.cdc.gov/brfss/brfssprevalence/index.html>. The smoking incidence is based on the rate for those households earning between \$100,000 and \$199,000.

² NACS State of the Industry Report – 2020, National Association of Convenience Stores, 34th Edition.

³ Retail locations based on internal PMUSA data and rounded to nearest 10.

⁴ Fox, Joe (2018) "The harm of Virginia's illicit tobacco trade" Washington Post, August 17; https://www.washingtonpost.com/opinions/virginias-low-cigarette-tax-hurts-national-security/2018/08/17/ad3ee786-9f08-11e8-93e3-24d1703d2a7a_story.html.

⁵ Bill Orzechowski & Rob Walker, The Tax Burden on Tobacco, vol. 57 (Forthcoming 2023); funded in part by Altria Client Services LLC.

⁶ Joint Committee on Taxation, Modeling the Federal Revenue Effects of Proposed Changes in Cigarette Excise Taxes, (JCX-101-07), October 19, 2007.