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Groups Ask Pataki to Sign Back-Door Bill to Collect Cigarette Taxes

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ALBANY, NEW YORK (2006-06-26) A coalition of anti-smoking groups and convenience store owners is urging Governor Pataki to sign a bill passed by the state legislature that would prevent the sale of untaxed cigarettes in New York.

New York has a law on the books that requires the collection of the sales tax on cigarettes sold to non-Indians on reservations. But Governor Pataki has refused to enforce the statute, saying he still wants to try to negotiate complex settlements with tribes over issues like land claims and gambling casinos. Many Native American tribes say they don't have to collect the tax, because they are a sovereign nation.

The legislature, which has been budgeting the additional tax money for spending items for several years, passed new legislation in the final days of the 2006 session that would create a back door mechanism for collecting the tax.

The bill aims to stem the supply of illegal cigarettes to wholesalers who then sell to Indian reservation stores or other bootleg outlets without collecting the tax.

The State Tax Department, Attorney General, or City of New York would have the authority to name the black market wholesalers to cigarette makers. Manufacturers would no longer be allowed to sell the cigarettes to the wholesalers who are breaking the law, effectively cutting off the source of untaxed cigarettes.

Adding the Attorney General Eliot Spitzer's office to the list of authorities that could carry out the law is key, because Spitzer, unlike Pataki, supports collecting the tax.

The Coalition for a Tobacco Free New York's Russ Schiandra says 500 lives could be saved in the first year if the tax were uniformly collected. The group estimates, based on past data connecting higher cigarette taxes to the number of smokers who quit, that 50,000 fewer New Yorkers would smoke if they had to pay the full \$1.50 per pack tax upstate, or the \$3.00 per pack tax in New York City.

Jim Calvin, with the New York Association of Convenience Stores, also wants the tax collections to be enforced. Calvin admits that his group makes for strange political bedfellows with the American Cancer Society and Lung Association, but he says they have a common interest. The convenience stores are not against selling cigarettes, they want a level playing field with the stores on Indian reservations. Calvin says if the state has made a decision, that for public health reasons, it is going to charge high taxes on cigarettes, then the law must be enforced fairly. And he commends lawmakers for coming up with an alternative.

"What a shame, what a disgrace, that the legislature has to go around the governor to get a law enforced that the governor himself signed," said Calvin.

Calvin says convenience stores lose an estimated \$1 billion dollars a year in cigarette sales because of the easy availability of untaxed cigarettes.

Governor Pataki is going to be leaving office at the end of the year, and all of the major party candidates for governor to replace him, including Eliot Spitzer, a Democrat, and Republican John Faso, favor collecting the tax on Indian reservations. But the groups say they can't wait until then. At the very least, they say, the law should be enforced sooner because the state is losing around \$1 million dollars in tax revenue a day.

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