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## Bill would end cigarettes sales at tax-free stores

By Yancey Roy  
*Albany Bureau*

ALBANY -- Blocked numerous times by Gov. George E. Pataki, state legislators said Wednesday they've found another way to end Native Americans' practice of selling tax-free cigarettes: Threaten to cut off their wholesalers.

The Senate passed a measure late Tuesday to prohibit cigarette manufacturers from selling smokes to wholesalers who sell to tax-free merchants. Effectively, this would force wholesalers to impose New York's steep taxes before selling them to Indian retail shops -- or face losing their supply.

It was one of the few deals to emerge on what's supposed to be the Legislature's second-to-last working day of the 2006 session, though many lawmakers expect to be at the Capitol on Friday. Politicians were still trying to resolve numerous issues, such as whether to authorize \$250 million for environmental projects, how to provide more mental-health insurance coverage and whether to provide electric-bill subsidies for manufacturers.

The Legislature has for several years passed bills to force the state to collect sales taxes on cigarettes and gasoline sold to non-Indians on Indian reservations. However, Pataki has resisted.

Pataki officials have repeatedly said they want to address the issue through "cooperation, not confrontation." They have tried to negotiate "parity" deals in which tribes would voluntarily raise the prices of gas and cigarettes to match what nearby non-Indian stores charge -- without paying taxes to the state.

But tentative agreements have always fallen through.

Legislators have long complained that the state is losing \$300 million or more annually because of reservation sales and that the practice hurts competing convenience stores. "By collecting the taxes directly from tobacco companies when they sell cigarettes to distributors including Native American tribes, we are leveling the playing field for all businesses in New York state," said Sen. Michael Nozzolio, R-Fayette, Seneca County, who pushed the bill through the Senate. The Assembly approved it last week.

But there is one potential flaw in their plan: The governor could veto the bill, as he has done with similar measures. "I guess lightning could strike ... but, frankly, I don't think he will sign it," said Jim Calvin, head of the New York Association of Convenience Stores. Pataki aide Saleem Cheeks said only that the governor would review the bill.

Other deals included:

\* A measure to give public-employee unions a boost in contract negotiations with the state. It calls for an independent arbitrator to determine if the state has bargained in "bad faith," and if so to automatically grant union members a 1 percent raise. Critics say it would give unions an unfair advantage and could drive up taxes.

### ACCORD REACHED ON MEDICARE FRAUD

State legislators reached an agreement Wednesday on Medicaid fraud, establishing the office of Medicaid Inspector General, Sen. Thomas W. Libous, R-Binghamton, said.

The inspector general will serve at the pleasure of the governor and will focus on investigating Medicaid fraud. Local governments, such as Broome, Tioga and Chenango counties, will get a share of recovered funds. The measure will also increase civil and criminal penalties, and require that all health-care institutions have programs to prohibit fraud, he said.

"We have not actively gone after these people. This is money that belongs to hardworking taxpayers," Libous said.

Libous said he expects the measure will save \$350 million once instituted, and \$2 billion over the next five years.

Legislators are expected to pass the bill today.

\* A new law to toughen penalties for fleeing a police chase.

\* A measure aimed at streamlining health-insurance claims and reducing paperwork requirements of doctors.

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