

Here's How Often New Yorkers Pay Full Price For Illegal Cigarettes

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• Author/Byline: Laura Bliss

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When you think of New York City's illegal cigarette market, maybe you picture someone selling loosies to customers in the know. Or maybe it's a regular coming into the corner store, asking for "specials." Often smuggled in from out of state, untaxed smokes generally sell well below the city's minimum price of \$10.50 per pack, which includes a steep \$1.50 excise tax.

But as the city continues to raise prices on tobacco, illegal sales are becoming more mainstream-and the discounts aren't always getting passed on to consumers. A study published Thursday in Tobacco Control reveals that, from a sample of shops across the city, about 15 percent of cigarettes sold over the counter at full price had illegal tax stamps.

In the spring of 2014, New York University public health scholar and lead author Diana Silver had investigators purchase one pack of Marlboro Gold cigarettes at a mix of 92 chain and independent retailers, all licensed to sell cigarettes. These shops were either inside subway stations or adjacent to street-level transit stops, randomly selected across all five boroughs. The investigators did another round of purchases in the same neighborhoods in the fall, after a citywide minimum-price increase for cigarettes went into effect. All told, 830 packs were bought, at or above the city's minimum price.

Working with the New York City Sheriff's office, Silver and her team determined that overall, 15.1 percent of the purchased packs had either counterfeit New York State tax stamps, or stamps from Virginia (which has no minimum price for cigarettes, and a mere \$.30 excise tax). Not only were sellers obtaining cigarettes for under-the-counter prices-without paying due dollars to the state and city-consumers weren't even getting those discounts passed on to them.

The American Cancer Society estimates New York City loses nearly \$1 billion per year from cigarette tax evasion.

"This is really the worst of it: Where prices are increasing for customers, taxes aren't being paid, and probably, none of the income is being reported," says Silver.

Though the city's minimum-price bump was meant to target black-market cigarette sales, Silver found that they only increased: 13.3 percent of cigarettes purchased before the price change were found to be illegal, while 16.9 percent were illegal afterwards. The pattern was consistent across all five boroughs, though it was more pervasive in certain types of stores. In the fall, fully 21.2 percent of packs purchased from independent retailers were illegally stamped, versus 7.1 percent in chain stores. Those independent shops, often mom-and-pop stores or bodegas, make up the majority of licensed cigarette retailers in the city. It's a real regulatory tangle.

"There are a lot of extra hurdles around selling cigarettes," Silver says, "and yet you're still finding large numbers being sold illegally."

Silver's results aren't totally generalizable to all of New York City's cigarette sales since she only looked at one brand, and because retail locations were randomly sampled. Given past research, however, it's clear that the problem is widespread.

New York City has long taken an aggressive stance on tobacco, with major anti-smoking campaigns and the nation's most expensive price per pack. Is the solution to simply lower those prices, so that sellers are less tempted to pass off smuggled goods? Silver says no: "Raising taxes has been a pretty effective way of stopping young people from starting to smoke, and of getting people who already smoke to cut down."

A more holistic enforcement strategy is key, Silver says, as right now, enforcement happens piecemeal by the state, health department, and the Sheriff. New York state could also start using digital tax stamps, which are easier for enforcers to read and much harder to counterfeit. Tax harmonization between states-which could cut down on border-crossing for cheap smokes-is another long-term policy to

consider.

One way or another, until the city finds a way to take back its tobacco tax dollars, all New Yorkers lose. Think of this way: the American Cancer Society estimates New York City loses nearly \$1 billion per year from cigarette tax evasion. That's roughly the annual budget of its Department of Homeless Services.

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