

Cigarette tax revenue plunges as smokers buy outside New York

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December 27, 2015 | 2:19am



Photo: AP

Albany has really blown it — tax revenues from cigarettes are up in smoke.

New York state cigarette tax collections have plunged by about \$400 million over the past five years, according to figures and estimates from the office of New York State Comptroller Thomas DiNapoli.

And New York has also lost \$1.3 billion in uncollected state cigarette taxes each year from alternative sales, according to a separate study.

The state is taxing far fewer packs, as smokers evade taxed packs, shop across state lines or buy smokes from Native American merchants to avoid punitive NY taxes. A typical pack in New York costs \$10.60 or more, including the nation's highest state excise tax, \$4.35.

In Gotham, smokers are slapped with an extra \$1.50 per pack on top of the state tax. (On top of that, there's federal excise tax of \$1.01, and an 8 percent sales tax of almost 80 cents, using our example.)

Not surprisingly, say experts, sales of taxed cigs in New York are off by 54 percent in the past decade, which is also cutting into the profits of local store owners peddling smokes. In that same period, about 19 percent of New Yorkers stopped smoking, a pace well below the huge sales dip.

“The Germans call it ‘schadenfreude’ when you take pleasure from another person’s misfortune,” noted Dan Mitchell, a tax expert at the Washington DC-based Cato Institute, commenting on the New York smoking tax fiasco.

“Normally, I would think people who feel this way have a character flaw.

“But not in this case,” he added. “I confess that I get a certain joy from this story because politicians are being punished for their greed. I like the fact that they have less money to waste.”

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