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Local smokers fired up about new tax

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While local business owners say it's too early to tell how a recent tax increase will affect their cigarette sales, many local smokers are feeling burned, saying they are being unfairly targeted by lawmakers.

As of Jan. 1, cigarettes in Texas are being taxed \$1.41 per pack, up from the previous 41 cents per pack tax. Lawmakers approved the increase in May to help reduce property taxes over the next two years and to help defray an approximately \$5 billion state budget deficit.

The change did not sit well with Waco resident Connie Reed.

"My boyfriend smokes Newports, and I bought him a pack of Newports one time and I told him I couldn't do that no more," Reed said. "They were like five dollars and (change)."

Reed said she doesn't anticipate the tax affecting her smoking, as she prefers a less expensive brand of cigarettes, making the dollar increase more palatable.

Owners of area stores whose revenue comes primarily from selling cigarettes and tobacco said while their sales have dipped — dramatically for some — in the first week since the increase, much of the drop may be because many people stocked up on cigarettes in December, anticipating the Jan. 1 price jump.

"A lot of our customers bought up heavy in December," said Donna Starner, who owns Ronn's Discount Cigarettes with her husband, Ronn Starner. "The other people who didn't have the extra money in December are still coming in and paying the extra \$10 per carton."

Jesse Hancock, who owns Circle Smoke Shop, said his store saw sales drop by 50 to 75 percent the first week of 2007.

But, Hancock said, "It's really too early to tell what the bottom line's going to be. Right now, people are really confused, so we're getting mixed reactions. My personal feeling is it's probably going to be 75 to 85 percent of (smokers) will keep doing what they're doing."

Stores that carry cigarettes were ordered by the state to take inventory of how many packs they had on their shelves Dec. 31. They must pay \$1 for each pack to the state comptroller by the end of January, Donna Starner said.

Though the tax hike undoubtedly will produce some revenue, some economists have pointed out that the state likely will not see as much money as it anticipates from the tax increase.

Byron Schломach, chief economist for the Texas Public Policy Foundation, said in July 2004 that major tax increases on cigarettes may be misguided for a number of reasons.

First, Schломach said that “since the number of smokers is falling 1 to 2 percent each year, cigarette taxes are already a dwindling revenue source. Artificially increasing prices with a higher tax would doubtlessly discourage some from picking up the habit, producing revenue uncertainty in the future — hardly a recipe for secure school funding.”

### **‘On the backs of the poor’**

Also, “because many tobacco users are on the lower end of the income scale, an increased tax falls squarely on the backs of the poor,” Schломach said.

Cigarette smuggling is another potential problem, Schломach said, noting that “the hodgepodge of state taxes has made cigarette smuggling almost as lucrative as drug running for terrorist cells.”

Schломach’s assertions aside, local tobacco store owners and employees said they think the tax is too narrowly focused on cigarette smokers.

“You’d think they’d put taxes on something that’s killing somebody,” said Tracy Alexander, a Circle Smoke Shop employee. “These alcoholics who are out there drinking and driving and killing kids — I’m sorry, but alcohol kills people a lot quicker than smoking. “Sure, cigarettes will kill you, but it’s over years and years. But in the blink of an eye, you can get hit by a drunk driver and get killed.”

The American Cancer Society lists tobacco as the No. 1 killer in Texas, causing more than 25,000 deaths every year.

Starner said she understands that revenues have to come from somewhere but added, “I think (the tax) should have been spread out more evenly. It seems to me that the dollar per pack will discourage people from smoking, so they’re going to lose customers and money that way.”

Starner and Circle Smoke Shop employee Billy Ramsey said while many of their customers have been exploring options like rolling their own cigarettes, buying cheaper brands or quitting altogether, a number of their customers said they are prepared to suck it up and pay the price.

“If you want to smoke, you’re going to have to pay (the tax),” said Carrie Sindle, of Waco, who smokes at least a pack a day. “I don’t think it’s right that they raise any tax to that degree. I’ll pay it, but it’s just not fair. I know smoking’s bad for me, but I really don’t have the desire to quit at the moment.”

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