

Neighborhood Retail Alliance

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Cigarette Taxes and Unfair Enforcement

The passage of a confiscatory cigarette tax by the Bloomberg Administration in 2002, the largest percentage increase in city history, has led to a 60% drop in sales at New York's bodegas, green grocers, delis and newsstands. This loss, estimated at \$250 million a year, has generated brisk black market street sales in every low-income city neighborhood.

The Bloomberg bodega tax, when coupled with a large state tax increase, has had an additional consequence. Over half of all sales statewide have now gone to Indian retailers who have been able to avoid charging taxes on both cigarettes and gasoline because Governor Pataki has, until now, refused to enforce the law.

Convenience store analysts estimate that the state is losing up to \$1 billion a year as a result of the state's enforcement laxity. This is a revenue stream that could easily be tapped to address equity issues around school financing. At the same time, enforcing the law will also serve to bring sales of tobacco products back to the legitimate stores where they belong.

When Mayor Bloomberg passed the tobacco levy in 2002 store owners predicted that it would lead to dramatic sales losses and an uncontrollable black market. Six months after its passage, store owners held a press conference to lament the economic harm done by the loss of revenue caused by the tax. Bloomberg's response: "It's a minor economic issue." So when a tax on stock transactions is proposed everyone screams about its devastating economic impact. When vulnerable bodegas are targeted, however, the mayor doesn't even bother to express sympathy even after the negative consequences of the tax are demonstrated.