

Small retailers don't want tobacco tax hike

BY ALEXANDER PYLES

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ANNAPOLIS — Raising tobacco taxes in Maryland may only force smokers across state lines, where neighboring states and Washington, D.C., impose lower levies, a lobbyist for small retailers told a Senate panel Wednesday.

Senate Bill 526 would raise taxes on a pack of cigarettes by \$1 — from \$2 to \$3 — and also raise the tax on smokeless tobacco and cigars from 15 percent of its wholesale value to 95 percent. An amendment to exempt higher-priced premium cigars from the tax hike has been introduced.

But given that West Virginia, Virginia, Pennsylvania, Delaware and the District all have lower tobacco tax rates, increasing Maryland's rate may do more harm than good, some lobbyists said.

Patrick Donoho, president of the **Maryland Retailers Association**, said small retailers would suffer if consumers left the state to shop for tobacco.

"If there's a \$27 difference [in taxes] ... between Maryland and Virginia, that's motivation to get into your car and shop in Virginia," Donoho said.

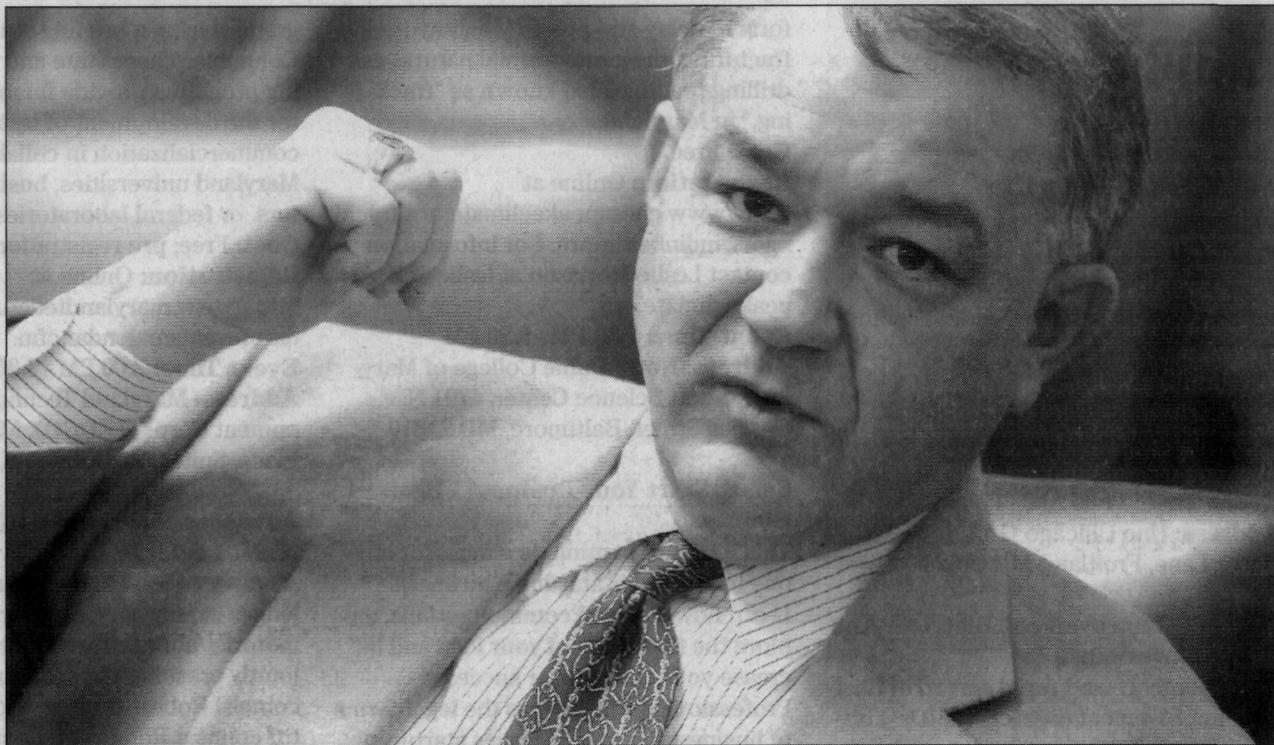
The tax increase, proposed by state Sen. Jennie M. Forehand, D-Montgomery, during a Senate Budget and Taxation Committee hearing, could raise up to \$100 million for cash-strapped Maryland, which is attempting to close a projected budget deficit of more than \$1 billion.

But Sen. David R. Brinkley, R-Carroll and Frederick, said the increase could instead be a disaster for Maryland if consumers crossed state lines to make their purchases because of lower tax rates.

"We're losing revenue. I'd love to see people stop smoking," Brinkley said. "[But] I think it's been a financial disaster."

But the legislation is not just about dollars and cents, Forehand said.

The state has passed three tobacco tax increases in the last decade, the most recent in 2007. The cuts have helped the state to reduce youth smoking by 53 percent, Forehand said.



MAXIMILIAN FRANZ

Sen. David R. Brinkley says raising tobacco taxes would be a financial disaster for small retailers in Maryland.

"Let's build on the great success we've had in the last decade," she said. "I think that every penny that we tax people on these cigarettes, we're a healthier society."

But Donoho said the tax increase would be too much for some businesses to bear.

"Everyone in Maryland lives within 40 miles of another state," Donoho said. Retailers already have to compete against each other and the Internet, where sales tax is not levied. It's unfair, he said, to make those retailers compete more intensely with retailers in neighboring states.

Michaeline R. Fedder, a lobbyist for the American Heart Association, said the state could not put a price tag on the health of its population, especially children.

Data shows that underage smoking has been reduced in Maryland by using taxes to make cigarettes unaffordable for youths, she said.

Raising the tax higher, and increasing the tax on other tobacco products, will only further that progress.

"We really urge you to look at this as a health issue and not an economic issue," Fedder said. "How do you put a price on the life of a child?"

Fedder said that any impact on small businesses would be negligible. People aren't going to drive further than they have to in order to buy cigarettes because gas prices are so high, she said.

"I don't even hear that," Fedder said. "You're paying how much in gas now?"