

New Jersey considers new taxes on non-cigarette tobacco products

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[New Jersey considers new taxes on non-cigarette tobacco products](#) By BRIAN IANIERI
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Little cigars, which are taking increasing space on area tobacco-shop shelves, are shaped and smoked just like cigarettes. But because New Jersey taxes them differently, they cost nearly one-third the price.

Over the past several years, increased state and federal taxes have helped turn some smokers on to less-taxed tobacco products, local shop owners and anti-smoking groups say.

New Jersey has a \$2.70 tax per cigarette pack, and the federal government has a \$1.01 excise tax it enacted two years ago.

That sixth-highest cigarette tax in the country may entice more smokers to quit or prevent others from starting, said Karen Blumenfeld, executive director of Global Advisors on Smokefree Policy, a New Jersey-based anti-smoking group. But inconsistencies in taxes among various tobacco products cause some smokers to simply switch products, she said.

“We are lagging, as are many other states, with the other types of tobacco products. The industry has caught on to the fact that there’s this loophole with regard to other smoked tobacco products, and they’re cheaper,” said Blumenfeld, who wants a uniform pricing that would tax all tobacco products as cigarettes.

New Jersey collected nearly \$742 million in cigarette taxes last year. That was a 4 percent drop, or \$33.1 million less, compared to 2008, state Treasury Department data show.

Yet revenue from other tobacco products — such as cigars, little cigars, chewing tobacco, pipe tobacco, and roll-your-own — shot up 26 percent in that time, generating \$3.7 million more from lower tax rates.

The state has a wholesale tax on these products that is 30 percent of the price the wholesaler pays the manufacturer, Treasury spokesman Bill Quinn said.

“If I had to buy cigarettes for seven, eight dollars, I’d consider quitting,” said Dave Schubiger, 52, of Barnegat Township, who bought a 10-pack carton of little cigars for about \$22. Had they been cigarettes, it would have cost him nearly \$75.

“Price is a big thing; plus, I like them,” he said.

In New Jersey, little cigars in particular have been targeted by proposed legislation that seeks to tax them the same as cigarettes.

“The additional tax will make little cigars less appealing to current cigarette smokers seeking a cheaper alternative,” reads the proposed bill sponsored by state Sen. Paul Sarlo, D-Bergen, Essex, Passaic.

The Office of Legislative Services estimated in 2010 that the bill would increase tax revenue from \$6 million to nearly \$9 million. The office estimated more than 5 million packs of little cigars were sold in fiscal year 2010.

But rising taxes will not stop people from smoking, although future increases may hurt New Jersey businesses that are being undercut by other states that have lower tobacco taxes and, likewise, cheaper tobacco, said Jeff Melchiondo Sr., owner of Tobacco Road in Barnegat.

The tobacco shop Melchiondo runs with his son sells cigars, pipe tobacco, cigarettes, roll-your-own tobacco and little cigars.

“Whether cigarettes are selling for \$2 a pack or \$8, people will still smoke — that may put more weight on the roll-your-own market if that is not taxed any more. The little-cigar smoker may go back to roll-your-own instead,” he said.

Roll-your-own cigarettes have been popular, but that tobacco is taxed more heavily than pipe tobacco, which can be used instead. Roll-your-own tobacco has a federal tax of \$1.55 per 1-ounce pouch. Pipe tobacco, on the other hand, has a federal tax of about 18 cents per 1-ounce pouch.

Nationally, nearly 3.6 billion fewer cigarettes were manufactured from January to July than last year, a 2 percent drop, data from the federal Department of Treasury’s Alcohol and Tobacco Tax Bureau show.

Meanwhile, pipe-tobacco manufacturing picked up substantially — by about 5.7 million pounds, or about 44 percent.

Bob Tyjewski, manager at Smoker’s Haven in Galloway Township, has seen roll-your-own-cigarette sales double in the past few years. The shop keeps roll-your-own tobacco and pipe tobacco together on a shelf.

“Going to roll-your-own is an economic move, not because you got tired of what your Marlboro tastes like. It’s a matter of nickels and dimes,” he said.

Tyjewski said he is losing business to other states. New Jersey is behind only New York, Hawaii, Connecticut, Washington, and Rhode Island in the highest cigarette taxes.

Pennsylvania and Delaware’s cigarette tax is \$1.60 a pack.

Tyjewski has even seen the reverse — he has regular New York clients heading to Atlantic City who buy cartons of cigarettes. New York’s cigarette tax is the highest in the nation, at \$4.35 per pack. They save \$16.50 in state taxes per carton.

“The government, they don’t want you to smoke, but you can bet they spent that tax money,” he said.

Absecon resident Bharat Patel, manager of Northfield News and Tobacco in Northfield, said little cigars and roll-your-own have increased significantly in the past few years due primarily to the price of cigarettes.

In New Jersey, about 14 percent of the adult population — about 1 million people — are smokers, data from the federal Centers for Disease Control and Prevention show. The national median is about 18 percent.

At Tobacco Road, little cigars come in two brands: Cheyenne and 1839. They come in full flavor, light, menthol, cherry, peach and others.

Little cigars are more profitable for Tobacco Road to sell than cigarettes which, unlike little cigars, are available nearly everywhere and have low profit margins in order to compete, Melchiondo said.

Now, the shop sells as many packs of little cigars as they do cigarettes, he said.

“People will still buy them as long as they’re reasonable enough. If these go up to 3 or 4 dollars a pack, then they’ll go back to buying the roll-your-own stuff, probably,” he said “As long as there are savings involved, I think a market will still be there.”

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