

Billings Gazette

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A 62-cent federal tax increase that went into effect on tobacco products Wednesday is getting mixed reactions from smokers.

Most consumers started paying more in early March, when the major manufacturers increased their prices to get ahead of the tax hike. The federal per-pack cigarette tax increased from 39 cents to \$1.01, effective April 1. Cigars, pipe and smokeless tobacco taxes also increased.

Revenue from the excise tax is expected to be about \$33 billion during the next 4 years and will help fund the Children's Health Insurance Program.

Outside of Smoker Friendly, a store specializing in tobacco sales, on Main Street, a simple white sign was posted on the window informing customers of the tax increase. Their feelings ranged from accepting to irate. Jackie Kiesz fell somewhere in the middle of those two emotions.

"It seems like it's picking on smokers," she said. "Everybody has a bad habit."

She said she isn't happy about paying more than a dollar in federal taxes per pack of cigarettes, but that there may be a positive in it since she is trying to quit smoking. While the increase won't force her to quit, it could help.

"I'll buy less because of it," she said.

Health and medical groups see the increase as a way to encourage people to quit smoking. In Montana it may be working, said Jon Ebel, information officer for Montana Department of Public Health and Human Services, which runs the state's Tobacco Quit Line.

The service has seen such a spike in the number of calls that the state is scrambling to hire staff.

"We anticipated a bump in calls but it's higher than anticipated," Ebel said. "The price goes up and people want to quit."

Some retailers, however, have seen a spike in sales, said Mary Szarmach, Smoker Friendly's vice president for trade marketing in Boulder, Colo. There are three Smoker Friendly stores in the Billings area.

Customers' comments on the increased prices are "all over the board," she said. Some people say they will quit, others say they'll continue to smoke, and others planned to trade down to a value-priced product. Many loaded up on smokes before the price went up.

"Earlier in the month we saw a little bit of pantry loading," Szarmach said.

Consumers probably will pay more than just the added tax, Szarmach said. That's because manufacturers, wholesalers, distributors and retailers all likely added a little more than just the tax increase so that they could maintain their margins in case they lose customers.

CHIP is a good program, but using a tax as a funding source is bad policy, she said.

"From a consumer perspective, it's a regressive tax," Szarmach said. "Funding it on the back of any one user group is bad policy."

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