

Tobacco tax hike in effect

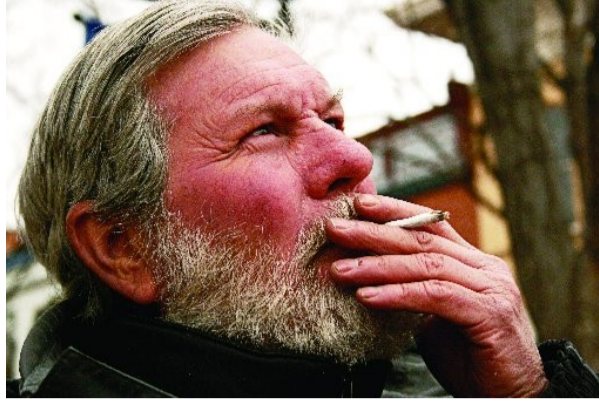
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Smokers feel burn of increased prices

By [Alicia Wallace](#) ([Contact](#))

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BOULDER, Colo. — Eric Cormie lifted his right hand and looked down at the filtered Camel cigarette that was nestling between his index and middle fingers.

"I spend a lot on these," said Cormie, 21, as he sat on a stoop in downtown Boulder on Wednesday.

And during the past couple weeks, he's spent more. Manufacturers raised prices on their tobacco products in anticipation of a federal tax increase that took effect Wednesday. Taxes on a pack of cigarettes increased 62 cents -- the largest hike in history -- to \$1.01 as a result of an act President Barack Obama signed into law in February to pay for a health insurance program for low-income children.

Cormie paid \$5 for his current pack and said the price hike is making him think a little more about trying to snuff out the habit.

"This is a little bit more incentive for me to quit," he said.

If he did, analysts and researchers expect he won't be the only one.

In a December research note, Goldman Sachs' tobacco analyst said she expects the tax increase could lead to a 7 percent decline in industry-wide volume. Smoking levels have an inverse relationship to cigarette prices, according to the Campaign for Tobacco-Free Kids.

"There is an expectation, absolutely, that there will be a clear decrease," said Jennifer Kovarik, program coordinator for Boulder County's Tobacco Education and Prevention Program.

The local organization has experienced a noticeable increase in calls during the past couple weeks, Kovarik said.

The call volumes of stop-smoking help lines, including the Colorado QuitLine, were flooded during March, according to an Associated Press report.

At Lolita's Market in Boulder, a sign taped to the front counter alerts customers that all cigarette prices are 75 cents higher. Most of the packs of smokes behind the counter on Wednesday were above \$5.

Tobacco sales have dropped slightly at the 24-hour market, clerk Scott DeVries said, but he doesn't think it'll have a large-scale effect.

Although consumers have already paid more of a premium for cigarettes and other tobacco products during the past few weeks, they are not happy about it, said Mary Szarmach, vice president of trade marketing for Boulder-based Smoker Friendly International. Retailers, she said, could feel the burn.

Smoker Friendly budgeted a decrease in sales of about 7 percent, she said, noting analysts that have predicted the industry as a whole will be hit with a 5 percent to 12 percent decrease.

"We think that obviously April and May are going to be soft because of some of the people doing a little pantry-loading in February and March before the prices increased," she said. "I think that after we get through this shock, and it was quicker than anticipated, I think we'll probably level off and still see people smoking."

Szarmach said the heart of the law behind the increase is in the right place, the legislation is flawed by raising taxes on what already is a "highly taxed commodity" and heavily affecting a lot of people -- especially those in the lower income brackets -- as a result.

"I just don't think they should hang that important of legislation on one user-group's back in this country," she said.

Considering the state of the economy, the timing of this increase seems to add insult to injury, said Jalin Malin, taking a quit smoke break on Pearl Street as the snow started falling Wednesday.

"I just feel it is kind of funny, they get you hooked on it and then others start herding you into corners and charging more and more," Malin said.

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