New York Enacts Highest in the Nation Cigarette Taxes

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New York State is facing an unprecedented $9.2 billion budget deficit. The Governor proposed a budget back in January that included steep cuts in education and healthcare funding. The Senate and Assembly have resisted the budget proposed by the Governor and have attempted to find other ways to close the budget gap while restoring funding to education and healthcare.

The New York State budget was due on April 1. As of the writing of this article, June 28, there is still no final budget deal in place, though it appears that a final budget will be in place in the very near future. As the Governor and two houses have worked their way to a final budget deal, they have agreed upon different pieces of the overall budget.

One of these pieces was an increase in the taxes charged on cigarettes in New York. In an attempt to offset the steep cuts in healthcare, the Governor and Legislature included a $1.60 per pack tax increase in an emergency budget extender that was passed on June 21, 2010. The increased taxes will be used to provide $440 million in revenue for health care programs such as subsidies for AIDS drugs, money for tobacco cessation programs and funding for state cancer research.

This increase now means that New York has the highest in nation tax on cigarettes. The tax on a pack of cigarettes in upstate will now be $4.35 per pack, meaning that the average price per pack will now be $9.20 and the tax on a pack of cigarettes in New York City will be $6.85 per pack, meaning the average price per pack will now be almost $11.00.

Also included in this tax increase was a provision that will require sales tax collection on cigarettes sold at Indian reservations located throughout the State. There have been many attempts to collect sales taxes on these sales before, but those attempts have always failed. The last true attempts to collect these taxes led to violent protests by the Indian nations. It is feared that violence may again occur when the State attempts to collect these revenues.

The tax is scheduled to take effect on July 1, 2010.