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REVENUE REPLACEMENT FOR NJ COMPREHENSIVE TOBACCO CONTROL PROGRAM

Up to \$30 million from restructuring NJ cigarette-related licensing fees, and creating OTP-related licensing fees

The annual retail license to sell cigarettes in New Jersey has not increased from \$50 for more than a decade (The Cigarette Tax Act NJSA 54:40A-4). Compared to alcohol sales, a New Jersey alcoholic beverages retailer pays up to \$2,500 for a municipal license fee per year. New York's new cigarette retail licensing fee per retailer, ranges from \$1,000 to \$5,000.

New Jersey does not collect any licensing fees to sell other tobacco products (OTPs) such as cigars, little cigars, chew, etc. New Jersey has not yet set up a licensing fee system for OTPs, even though OTP sales are increasing due to being taxed much lower than cigarettes, which results in OTPs being a less expensive tobacco product for a consumer.

Every year, more than 17 million packs of cigarettes are smoked by teens in New Jersey, even though it is unlawful to sell tobacco to a person under 19 years of age. The tobacco industry spends more than \$226 million to market tobacco, just in New Jersey.

Restructuring the licensing fees for cigarettes, and creating a licensing fee structure for OTPs, can generate more than \$30 million of state revenue that can be earmarked for the NJ Comprehensive Tobacco Control Program (CTCP). CTCP is currently funded at \$7.5 million, and proposed to be eliminated.

80% of the retail cigarette licensing fees collected by the State are earmarked to CTCP's Tobacco Age of Sale Program (TASE conducts inspections to ensure minors are not sold tobacco, etc.)(NJSA 54:40A-4(h)). 80% of \$680,565 in revenues equals \$544,452 to TASE, which barely covers pared down, minimum compliance efforts. Restructuring the licensing system to be on par with alcohol retail licenses can raise more than \$16 million in revenues, 80% of which can fund CTCP in its entirety, including its TASE program.

Raising fees for all cigarette licenses in New Jersey (retail, vending, wholesale distributor, manufacturer, and manufacturer representative), based on the proposed figures in the chart below, will boost annual cigarette licensing revenues to \$16 million.

The left-hand column in the chart below shows the annual cigarette licensing fees revenues in New Jersey, as of fiscal year August 2009, according to the New Jersey Division of Revenue. The right-hand column lists the proposed fees:

CURRENT CIGARETTE LICENSING FEES

12,636 retail licenses @ \$50 each = \$631,800
1,678 vending licenses @ \$50 each = \$33,900
58 distributor licenses @ \$350 each = \$20,300
18 manufacturer licenses @ \$10 each = \$180.
119 wholesale dealer licenses @ \$250 each = \$29,750
187 manufacturer representative licenses @ \$5 each = \$935.

CURRENT TOTAL: \$716,875

PROPOSED FEES

increase to \$1,000 = \$12,636,000
increase to \$1,000 = \$1,678,000
increase to \$5,000 = \$290,000
increase to \$10,000 = \$180,000
increase to \$2,500 = \$297,500
increase to \$5,000 = \$935,000

PROPOSED TOTAL: \$16,016,500

Create Licensing Fee Structure for Other Tobacco Products (OTPs)

As noted above, New Jersey does NOT have a licensing structure for OTPs, unlike New York, which has an OTP licensing fee structure that mirrors its cigarette licensing fees.

Many cigarette retailers sell OTPs. A separate licensing fee for OTP retailers, vendors, wholesale distributors, manufacturers, and manufacturer representatives, structured to mirror cigarette licensing fees, could result in a similar \$16 million revenue stream for the state, and with 80% earmarked to the CTCP.

In addition, creating a New Jersey licensing structure for OTPs would most likely result in approximately 70+ *additional retail* licensing fees (cigar bars, hookah lounges, etc.), each at a minimum of \$1,000, which is an additional \$70,000 in revenues in *OTP retail* licensing fees, or \$56,000 (80%) to CTCP.

The following information shows the proposed OTP licensing fee structure (mirrors proposed cigarette licensing fees), compared to current similar licensing fee rates for alcohol beverages.

PROPOSED OTP LICENSE FEES (based on cigarette licenses)

12,636 retail license @ \$1,000 each = \$12,636,000
1,678 vending license @ \$1,000 each = \$1,678,000
58 distributor license @ \$5000 each = \$290,000
18 manufacturer license @ \$10,000 each = \$180,000
119 wholesale dealer license @ \$2,500 each = \$297,500
187 manufacturer representative @ \$5,000 each = \$935,000

ALCOHOL BEVERAGE LICENSE FEES (each)

Plenary retail consumption, up to \$2,500 each
Plenary retail distribution, up to \$2,500 each
Plenary brewery/sell, \$10,625 each
Plenary distillery, \$12,500 each
Plenary wholesale, \$8,750 each
Limited wholesale, \$1,875 each

PROPOSED OTP LICENSING FEES TOTAL: \$16,016,500

Creating a licensing structure for OTPS can be accomplished: (1) revise Cigarette Tax Act (NJSA 54:40A-1 et.seq.) to include OTPs; or (2) amend New Jersey Tobacco Products Wholesale Sales and Use Tax Act (NJSA 54:40B-1 et.seq.) to include licensing fees for OTP retailers, vendors, wholesale distributors, manufacturers, and manufacturer representatives). Currently, only a certificate of registration is required regarding OTPs.

Pending NJ bills to create an OTP licensing fee structure

S384 Requires licenses to conduct business in Tobacco products under the New Jersey Tobacco Products Wholesale Sales and Use Tax Act. Fees are same as current cigarette licensing fee structure (\$50 for retailer, etc). Introduced 1/08/08 by Senators Singer and Bucco. Last Session Bill Number: S219.

S392 Requires licenses for distributors, wholesalers and retailers to conduct business in Tobacco products under the New Jersey Tobacco Products Wholesale Sales and Use Tax Act. Fees are same as current cigarette licensing fee structure (\$50 for retailer, etc). Introduced 1/28/08 by Senator Singer. Last Session Bill Number S938.

About New Jersey GASP

New Jersey GASP is a CTCP grantee. In the last year, our activities and accomplishments include hundreds of individual consultations and presentations on smoking-related issues. We provide technical assistance to New Jersey colleagues and residents, guide citizens, proprietors, colleagues, media and legislators, on smokefree-related legislation, such as New Jersey's Smoke-free Air Act and the Smoke-free Residence Housing Act for students, banning flavored cigarettes, and restricting electronic cigarettes.

We also focus our educational outreach on smokefree trends and issues: casino/gaming venues, outdoor recreational areas, smokefree cars for children, multi-unit residences, hazards of thirdhand smoke and hookah smoking, etc. We provide mailings to all New Jersey municipalities and state legislators, and customized technical assistance to individual municipalities' health departments on enforcing New Jersey's tobacco control laws, as well as educational information to local, county and statewide policymakers.

Hundreds of thousands of visitors view our GASP website www.njgasp.org, which provides synopses of all New Jersey state legislation on tobacco, news and action alerts on tobacco control, and emerging trends in tobacco control. Our website hosts the nation's only on-line, searchable database of local New Jersey ordinances on tobacco control, with more than 400 ordinances, searchable by date enacted, enacting authority, category, and provisions. New ordinances mostly create outdoor smoke free public places for children, in parks, at playgrounds and on beaches and boardwalks.