

E-cigarette tax plan will hurt business, NJ convenience store owners say

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Daler Brar shows off an e-cigarette at the Mobil station convenience store in Neptune City. New Jersey has proposed increasing taxes on electronic cigarettes to match tobacco cigarettes to help balance the state's budget. Convenience store owners say that will hurt their business. / TOM SPADER/STAFF PHOTOGRAPHER

Convenience store operators are protesting the Christie administration's plan to hike taxes on electronic cigarettes, saying it will cut into sales of a promising product that they hoped would shield them from a decline in revenue from old-fashioned cigarettes.

The operators of the Mobil station in Neptune City said the proposal adds to what already is a tough business landscape. Competitors Wawa and 7-Eleven are opening stores nearby.

"We basically make most of our profit on tobacco," said Ravi Gill, vice president of Creative Management Inc., a Matawan-based company that owns the Mobil station. "Everything else, we're making low or non-existent margins."

E-cigarettes are billed as a healthier alternative to smoking. They have nicotine, which is addictive, but they emit a smokeless, water-based vapor and contain fewer toxic chemicals than traditional cigarette smoke.

The stores' campaign comes as Gov. Chris Christie has proposed taxing e-cigarettes another \$2.70 a pack, bringing them on par with traditional cigarettes. The move is designed to help balance the state's budget and dissuade the public from using a product whose risks aren't well known.

Sin taxes

It isn't a new strategy. Policymakers seeking to raise revenue often resort to so-called sin taxes – on alcohol, gambling, smoking. After all, if taxpayers don't like it, they can change their behavior – for the better. But convenience store owners say taxing e-cigarettes penalizes smokers who would otherwise resort to tobacco. And it hurts their business.

Richard Walker, 65, of Neptune City, is an example. He walked into the Mobil station Thursday morning and bought a pack of traditional cigarettes. He started smoking decades ago when he was in the Army and cigarettes were included in his C-rations box. And he continued when he drove a tractor-trailer for 35 years, often for no other reason than the habit.

But he has tried e-cigarettes as a concession to his sons, and he equates it with inhaling air. If the prices increase, “I wouldn’t buy (them),” Walker said. “It’s just not worth it.”

Gill of the Mobil station said e-cigarette sales have provided a windfall in a notoriously difficult business. Gasoline retailers don’t make much money on the sale of gasoline. And his station on West Sylvania Avenue and Route 35 doesn’t have room to expand and add, say, a counter to make sandwiches that could compete with Wawa.

Sales of e-cigarettes, introduced in 2007, have doubled each year and now top \$1 billion, according to StatisticsBrain.com. By comparison, cigarette smoking has declined since 2005 in every age group except those 65 and older, according to the U.S. Centers for Disease Control and Prevention.

Whether that is because consumers are better educated or because they find it too expensive isn’t clear. But for every 10 percent increase in cigarette prices, consumption falls as much as 5 percent, the CDC said.



Examples of some e-cigarettes for sale at the Mobil station in Neptune City. / TOM SPADER/STAFF PHOTOGRAPHER

Raising money

For now, New Jersey taxes cigarettes at the wholesale level \$2.70 per pack of 20, but not e-cigarettes. With the state facing a budget deficit, Christie has proposed increasing the tax on e-cigarettes 75 percent, bringing them in line with traditional cigarettes – and raising \$35 million.

The health effects of e-cigarettes aren’t known, state Treasurer Andrew Sidamon-Eristoff told the Assembly Budget Committee last week. The state will exempt e-cigarettes that regulators say helps stop smoking. But, he said, lawmakers already restrict the sale of e-cigarettes to minors.

“Tax parity is the logical next step: as a matter of tax policy,” he said. “Why should we favor one form of delivering highly addictive, tobacco-derived nicotine over another, especially in light of the unknown health risks and the obvious marketing focus on youth and young adults?”

Gill, however, thinks the higher tax will punish two constituents: smokers trying to wean themselves off tobacco and independent convenience stores trying to stay afloat as the competition bears down.