

FACT SHEET ON CIGARETTE PAPER TAX

The Proposed Tax Costs More Than It Will Collect

North Atlantic Operating Company sold a total of 94 cases of cigarette papers in Montana in 2004, 82 cases in 2003, 149 cases in 2002, and 144 cases in 2001. The market for cigarette papers in Montana is therefore in decline.

In each case there are twenty-five cartons, each with 24 booklets, for a total of 600 booklets per case.

North Atlantic's brand is the dominant brand in Montana, with a share well in excess of 50%. If we assume that only half of all papers sold to Montana retailers are sold through Montana-based distributors, and that North Atlantic Operating Company only sells half of the papers in the state, then approximately 200 cases of cigarette papers would have been subject to the proposed tax. This is likely wildly over the actual volume.

200 cases equates to a tiny 120,000 cigarette booklet sales in 2004.

Only two states in the country have a cigarette papers tax, Arkansas and Rhode Island. The tax and revenue authorities in Arkansas have acknowledged to us that they lose money on their cigarette paper tax and would just as soon see the tax repealed.

With costs of stamping, enforcement, administration and collection of a cigarette paper tax, the State will likely lose money.

The Tax Will be A Double Tax on Roll-Your-Own Smokers

Roll-Your-Own (RYO) tobacco is taxed as Other Tobacco Products. As such, consumers of these products are already paying an excise tax on their tobacco products. Additional taxes on the paper would only impose a double tax on RYO consumers, who receive rolling papers in their containers of RYO products.

A Cigarette Paper Tax is the Most Regressive

RYO is the most economical of smoking experiences, accessible to those who cannot afford the high cost of manufactured cigarettes and often providing a better product than deep discount cigarettes. An additional tax on cigarette papers would thus impose additional costs on those least able to afford it, while providing no net benefit to the state treasury.