

Merchants say cigarette - Philadelphia Daily News (PA) - November 10, 2014 - page 00

November 10, 2014 | Philadelphia Daily News (PA) | SOLOMON LEACH & REGINA MEDINA | Page 00

THE SHELVES of Ray Martinez's West Philadelphia corner store are stocked full of unopened cigarette packs.

Martinez said he's had trouble selling them since the city's \$2 cigarette tax to help public schools went into effect Oct. 1. Sales are down about 80 percent, he said, essentially killing the business.

"Right now we're not making no money at the corner stores," said Martinez, who owns Ray's Food Market on Girard Avenue near 54th Street. "The stores right here in West Philly, we're like three to five minutes away from City Line [Avenue] and Delaware County, and people, they're going just across the street to get the cigarettes for \$6 instead of getting them from us for \$9."

A pack of Newports that cost \$6.35 six weeks ago in Martinez's store is now \$9.05. A carton is now almost \$88, up from about \$64.

"It's really bad right now. We're in real bad shape," he said, adding that the decrease in cigarette sales has had a ripple effect on the rest of his business. He has let go of four employees in the past month. "Now it's just me, my wife and my sister."

Martinez isn't alone. Other store owners and distributors in the city said they have seen a dramatic drop in revenue since the tax was added, causing them to wonder what the collateral damage will be on their livelihoods.

"It's detrimental all over the city. There are probably over 2,000 small corner stores within city lines and they're all taking a hit," said Steve Hershowitz, manager of a wholesale business in West Philadelphia that sells tobacco products, candy and other goods to more than 200 mom-and-pop stores in the region. Hershowitz, who asked that the name of his business be withheld for fear of reprisal, said his total business is down about 50 percent. "There wasn't much of a profit margin on cigarettes to begin with but . . . in the long run I don't think anybody's going to be able to survive, especially those [stores] close to the border."

Hershowitz criticized politicians for not considering the financial implications of the tax on merchants who compete with retailers in the suburbs. He doubts the tax will reach its financial projections. "With it the way it is right now, it's not going to generate nearly as much as they think it's going to generate," he said.

The beleaguered school district expects to collect \$49 million from the tax this school year. It will receive monthly installments, starting this month, officials said. As of Oct. 31, the state Department of Revenue had collected \$8.09 million from the tax, said spokeswoman Elizabeth Brassell.

Revenue officials won't know the actual impact of "border bleed" and smoking cessation on the cigarette-tax revenue, but department estimates assumed about 13.8 million fewer packs would be sold in the city in the first full fiscal year of the tax, Brassell said.

Dr. Giridhar Mallya, director of policy and planning for the city's Health Department, said their research indicated that the tax would lead to a 10 to 15 percent decrease in smoking over the next five years, resulting in annual health-care savings of \$48 million and \$28 million in increased productivity. It also projects a 30 to 50 percent reduction from "tax avoidance" - smokers going outside the city to buy cigarettes or Philadelphia stores selling untaxed cigarettes. That leaves about half of current smokers who will actually pay the tax.

"We will work with the state Department of Revenue to make sure there's as much compliance as possible, but we took into account tax avoidance, based on experience from other places, and those things are reflected in our health assessment and revenue assessment," Mallya said. "The biggest component of that is purchasing of untaxed cigarettes in stores in Philadelphia."

To combat an expected increase in that activity, the Revenue Department will hire enforcement agents in Philadelphia. The department will deduct administrative fees from each month's tax collections, expected to be \$1 million for the year that begins July 1, Brassell said.

The fees will pay for the new agents - although Brassell declined to specify how many would be hired - as well as local office space and rent for warehouse space that will be used to store contraband, Brassell said.

So far, the tax has been a boon for stores in neighboring Bucks, Delaware and Montgomery counties. On a recent rainy afternoon at the Wawa on Route 13 near Woodhaven Road in Bensalem, the store was hopping with city folks seeking to feed their nicotine fix without paying the tax.

Waitress Sarah Donahue works at the Ruby Tuesday's in the Philadelphia Mills mall and takes advantage of the restaurant's proximity to Bensalem, Bucks County. "I started coming here to this Wawa here in Bensalem because it's still the same normal price. It's too expensive to buy cigarettes out there . . . I'll just stop here before I go home so I don't have to pay the extra \$2" in Philadelphia, Donahue said.

She said she relies on tips at her full-time waitress gig. "Two bucks is two bucks."

Donahue is not alone in that sentiment. The Wawa has been buzzing with visits from Philadelphia residents since Oct. 1, resulting in competition for parking spots and traffic jams entering and exiting the store, shoppers say.

"It takes two or three minutes to find a spot," said smoker Layne Cantrell, a Wissinoming resident, who often bumps into his neighbors at the Wawa. "This place runs out a lot, apparently, because this is the go-to spot." If cigarettes have sold out, there's always a nearby 7-Eleven on Street Road, he said.

At the Havertown Sunoco on City Avenue in Delaware County, manager Margo Wells said she has seen **cigarette** sales jump about 50 percent - roughly 400 packs a day. She can't **say** if the influx is from Philadelphia residents, but many customers have been buying in bulk. "The people that are buying cigarettes are buying more," she said. "The people that were buying one or two packs are buying three or four packs or a carton."

But some smokers simply suck it up and pay the higher price, citing the travel as a hassle.

Lee Seabury, a retired construction worker from North Philadelphia, recently bought a pack at a Center City newsstand. He said the price has further motivated him to quit. "I was going to try to quit anyway, but when they went up, that's a little bit too much money," he said. "I ain't going to do this too long. In fact, I'm going to try to make this my last pack. It's too expensive."

According to Mallya, with the city Health Department, the **tax is a win-win**, reducing the rate of smoking and helping to fund schools. "From the Department of Public Health's perspective, the reduced rates of smoking are the primary way this is going to have a positive impact on health, but we also believe investing in public education is a good public-health investment, too," he said, citing "decades of experience domestically and internationally showing that it does both things."

But that's not encouraging for entrepreneurs like Jose Lizandro Sosa, who owns Espinal Ramos Grocery in East Germantown. Three weeks into the **tax**, he said he hadn't sold one pack of cigarettes and business had dropped 40 percent.

"Cigarettes have its advantages . . . the person who comes to buy cigarettes, he will also buy a soda, he buys something else," Sosa said in an interview conducted in Spanish. "Now he's not even buying that . . . now he's buying that nearby where he can buy cigarettes at the old price.

"The situation," he added, "has become difficult."

On Twitter: @ChroniclesofSol

electnext"

Copyright 2014 Philadelphia Daily News (PA)