

## Eric Newman "a tax increase of 20,000 percent"!!

Last Updated Tuesday, 17 July 2007

Eric Newman punches the numbers on his calculator and gapes at the results one more time.

It's no mathematical error: The federal government has proposed raising taxes on premium cigars, the kind Newman's family has been rolling for decades in Ybor City, by as much as 20,000 percent.

As part of an increase in tobacco taxes designed to pay for children's health insurance, the nickel-per-cigar tax that has ruled the industry could rise to as much as \$10 per cigar.

"I'm not sure in the history of man, since our forefathers founded the country in 1776, that there's ever been a tax increase of 20,000 percent," said Newman, who runs the Tampa business founded by grandfather Julius Caesar Newman. "They had the Boston Tea Party for less than this."

When it comes to tobacco sales, cigars are just a speck compared to cigarettes. In 2006, the nearly 400-billion cigarettes sold domestically dwarfed the 5.3-billion cigars.

But cigars are intertwined with Tampa's lineage.

Though the local industry has shriveled from foreign competition and domestic consolidation, cigarmaking still employs more than 1,000 in Tampa. About 900 work at the factory, offices and warehouse of Hav-a-Tampa, owned by foreign tobacco giant Altadis.

Newman machine-makes 35,000 cigars a day at 16th Street and Columbus Avenue and imports hand-wrapped varieties from Latin America. He estimates Florida makes or imports 80 percent of the cigars consumed in the United States and predicts devastation if the new taxes are approved this summer.

Many casual smokers are well heeled enough to plunk down \$10 for a premium puff. But would they pay \$15 to \$20 for the same pleasure?

"Why don't we just go out of business?" Newman said. "Here, you can run our company, Mr. Government."

Here's the source of the controversy: The Democrat controlled Congress has sought an extra \$35-billion to \$50-billion for the state children's health insurance program. The program distributes payments to the states to help buy coverage for kids not poor enough for Medicaid.

Cigarettes, which accounted for more than 95 percent of tobacco tax collections last year, are the main focus of the bill. Federal taxes on a pack would jump from 39 cents to \$1.

But the legislation has dragged cigars along for the ride. The industry operates under a 4.8 cents-per-cigar tax cap.

Under the proposed bill, taxes on "large cigars," a category that includes all but the tiny cigars sold in 20 packs like cigarettes, would rise to 53 percent.

A U.S. Senate version of the bill under consideration today in the Finance Committee sets the maximum tax per cigar at \$10.

"We are a very small industry. We're the fly. The cigarette industry is the elephant as far as tax collections are concerned," Newman said. "We've been roped in with conglomerates that own cigarette companies."

Newman's eyes and ears in Washington, Norm Sharp, president of the Cigar Association of America, was dumbfounded when the legislation went public Friday.

"I thought there was a typo. I thought they meant 10 cents per cigar, not \$10 per cigar. I was stunned like everyone else," Sharp said.

Sharp's organization represents 66 members, including Newman, Altadis and Jacksonville's Swisher International, the global company that makes Swisher Sweets.

The association has lobbied to exclude cigars from the bill, but bristles at the public relations challenge: How do you oppose a sin tax Congress has rigged to help sick kids? Senate staffers couldn't be reached for comment.

In Newman's view other companies declined comment and left the talking to Sharp, it's not just unfair but also immoral to overtax a product enjoyed not by addicts but by worthy pleasure seekers. The average aficionado smokes about three cigars a week at about \$3 to \$5 apiece, according to the cigar association.

"A good wine. A good scotch. A good bourbon. A good cigar. It all enhances the quality of life," Newman said. "We're in the relaxation business."

The Bush administration may inadvertently come to the industry's aid. The president has vowed to veto the bill, not over the cigar provision but over objections to expanding federally financed health care for the non-indigent.

Several business in and around Ybor City, usually blind to the workings of Washington, will be craning their necks toward the capital.

"Things happen strangely in Washington," Newman said.