

# Cigars Could face an Online Retail Disaster

*The Marketplace Fairness Act is just another name for the Internet Tax Bill. If passed, the legislation would be devastating, not just to online retail, but the entire cigar industry.* **>BY CRAIG WILLIAMSON**

being Florida and Pennsylvania). In fact, more than a dozen states tax cigars at 50 percent or more of the wholesale price—with Massachusetts charging a ridiculous 210 percent, Wisconsin 100 percent, and Minnesota 95 percent. It's no wonder Pennsylvania and Florida are home to some of the biggest online cigar retailers, including Thompson Cigar, Famous Smoke Shop, and Cigars International, to name just a few.

And you can bet that if the Internet Tax Bill passes, it would only be a matter of time before these outrageous excise taxes would be levied on online retailers in addition to regular sales taxes.

It's clear that legislators are trying to regulate the tobacco industry out of business—and the Internet Tax Bill is just one more step in that direction.

That's why CAA has been at the forefront of the opposition to this bill, joining forces with other major Internet retailers like eBay and major catalog companies to form a working coalition. Although the Marketplace Fairness Act

When the Marketplace Fairness Act was tabled in the House last November, we knew it was only a matter of time before it would rear its ugly head again. It's back.

The U.S. House of Representatives is once again preparing to consider the Marketplace Fairness Act, a bill that, if passed, would deal an unprecedented—and devastating—blow to the cigar industry.

"Marketplace Fairness Act" is nothing more than a politically correct name for the Internet Tax Bill, a bill that would require online retailers with U.S. sales of more than \$1 million to collect and remit sales tax from out-of-state consumers who would not have to pay sales tax under current law.

The "antis" have been trying to tax cigars out of business for some time, and this legislation is one more step in that direction. After all, the cigar industry conducts more than half of its business online or via mail, according to industry estimates, and employs tens of thousands of workers in the U.S. and abroad.

If the Marketplace Fairness Act passes, we should expect to lose 50 percent of premium cigar sales right off the bat. Whether you're talking about businesses, consumers, workers, or the economy, this is a situation where everybody loses.

In the big picture, this bill would have far-reaching effects on the American economy, and millions of jobs hang in the balance. Online commerce is a vital fuel that helps power the American economy, and the so-called Marketplace Fairness Act would have a chilling effect on digital commerce. It's bad not just for businesses and the

industry, but for consumers as well. Congress should appropriate itself a big shovel; if the Marketplace Fairness Act were ever to become law, they'll be digging the American economy out from the rubble for years to come.

There are more than 10,000 state and local taxing jurisdictions in America, which makes tax collection and remittance an extremely costly and complicated nightmare of red tape for online retailers. This bill would undermine the profitability of online businesses, which would be forced to make massive in-

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vestments to comply with the law at the same time they are losing sales.

Brick-and-mortar stores have been complaining about the "fairness" of Internet sales for as long as online sales have been around. They claim that online retailers have an unfair advantage because they don't have to pay sales taxes. Even some cigar manufacturers fall into this mindset, but I believe it's shortsighted. To lose a significant outlet like online retailers would force cigar manufacturers to cut back on production—which means fewer cigars in the retail shops and a shrinking industry overall.

Cigars are already heavily taxed, with 48 out of the 50 states charging an additional excise tax (the exceptions

passed the U.S. Senate in May 2013, business and consumers have worked diligently to inform House members about the dangers of the bill. To date, cigar consumers have sent more than 46,000 e-mails to members of Congress through a campaign organized by CAA and its members.

Our government should be supporting American businesses, not taxing them out of existence. The best way for Congress to promote fairness for business owners and consumers is to ensure the Marketplace Fairness Act never becomes law. **S**

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