



## **Fight cigarette taxes and you fight terrorism**

By Jim Waters

I may have the best reason yet for Kentucky lawmakers to not raise cigarette taxes: High cigarette taxes pay for terrorism.

I know. I know. I flinched when I first heard about this connection, too. The notion that cigarette smuggling, driven by higher taxes, created a big-enough business to fund terrorists seemed goofy.

But the truth here is at least as strange as the fiction. A report released April 29 by New York Rep. Peter King shows how terrorists benefit from high cigarette taxes.

"In total, law enforcement officials in New York State estimate that well-organized cigarette smuggling networks generate between \$200,000 (and) \$300,000 per week," the report stated. "A large percentage of the money is believed to be sent back to the Middle East, where it directly or indirectly finances groups such as Hezbollah, Hamas and al Qaeda."

Two primary strategies used by these smugglers of terror involve either smuggling cigarettes from other states with much-lower taxes. Or they make peace with Indian reservations, where cigarettes aren't taxed.

James Damask wrote for the Mackinac Center that "fully one-fourth of all cigarettes sold worldwide are now smuggled from low-tax areas to high-tax areas to reap the criminal's reward for government intervention in matters best left to the private sector."

Smugglers purchase contraband in Virginia or North Carolina, where a pack of cigarettes costs around half of what it does in New York or New Jersey, and sell it for hefty profits in states with much-higher taxes. Some of those profits get to groups that want to harm America.

About 13 months before the Sept. 11, 2001, attacks, FBI agents found cash, weapons, documents written in Arabic and cigarettes – lots of them – at a safehouse in Charlotte, N.C. The house owner, Mohamad Youssef Hammoud, was convicted in 2002 of providing material support to Hezbollah, the terrorist group responsible for the 1983 bombing of the Marine barracks in Lebanon that killed 241 American soldiers.

Hammoud and his fellow thugs made \$8 million during four years of selling cigarettes on the black market. Some of the profits ended up in Hezbollah's bloody hands.

The infamous "Lackawanna Seven" received funding from Aref Ahmed to finance a 2001 trip from Buffalo to an al Qaeda training camp in Afghanistan. Ahmed was later convicted of smuggling contraband cigarettes and conspiracy to commit money laundering.

Generally, politicians respond in one of two ways to this situation. Both are inadequate.

First, they "attack" peripheral issues rather than the root of the problem, which, in this case, would

mean lowering cigarette taxes.

King's report thrashes New York for not collecting taxes on cigarettes sold on reservations and whines about the state's revenue shortfalls. But it doesn't even consider the solution that would eliminate this lucrative funding source for terrorists: lower cigarette taxes.

Some might think that if states like Kentucky raised cigarette taxes to the level of New York, this funding stream for terrorists would dry up. It's not likely.

The result would be similar to what happened during Prohibition. Alcohol was made illegal, but the government couldn't enforce the law — just as it can't stop people from smoking, no matter how high taxes curl upward.

Second, politicians fail to grasp that government interference in the marketplace results in serious — even if unintended — consequences.

Politicians don't want to fund terrorists. But when they raise cigarette taxes, they do just that. All of which gives new meaning to President Ronald Reagan's quip: "The nine most terrifying words in the English language are 'I'm from the government, and I'm here to help.'"

Instead, politicians are "terrified" at the thought of withdrawing from their addiction to overspending taxpayers' hard-earned money. I've heard the withdrawal symptoms for this condition are worse than getting off nicotine's hook.

Case in point: Despite the report making the terrorism connection, yet another tax increase effective June 3 will give New York the nation's highest cigarette tax.

"Unbelievable," you say?

That's what I thought, too.

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