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How tobacco tax feeds terror

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The next terror attack on America could be a self-inflicted wound -- specifically, a cigarette burn.

Gov. Paterson has withdrawn his proposal to boost New York's state per-pack tax from \$2.75 to \$3.75. But he's reversed course before, and faces a \$9 billion deficit. Meanwhile, New York City's tax is \$1.50 a pack -- so, with federal levies, Big Apple smokers pay \$5.26 a pack in taxes alone.

Yet tobacco taxes create a perfect arbitrage opportunity that radical Muslims exploit to collect money for terrorist groups.

Consider the first Twin Towers attack, which killed six and injured 1,040. As Patrick Fleenor recalled in a Cato Institute study, "Counterfeit cigarette-tax stamps were found in an apartment used by members of the Egyptian Islamic Jihad cell that carried out the 1993 bombing of the World Trade Center."

Smugglers buy cigarettes in low-tax states, disguise them with bogus tax stamps, sell them in high-tax locales and pocket the difference. A \$2.70 spread separates Virginia's 30-cent-per-pack cigarette tax and Connecticut's at \$3.00. Driving 1,500 cartons from Arlington to Hartford yields \$40,500 a trip.

Terrorists move cigarettes because they are light, portable, otherwise legal and produce cash. "Law-enforcement officials in New York state estimate that well-organized cigarette smuggling networks generate between \$200,000 and \$300,000 per week," a 2008 House Homeland Security Committee staff report concluded. "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."

* The notorious "Lackawanna Six" Islamic-terror cell reportedly traveled in 2001 from Buffalo to al Qaeda's al Farooq training camp in Afghanistan. They scored \$14,000 in travel money from Aref Ahmed, a former gas-station operator who was among five defendants convicted in 2004 for cigarette trafficking and money laundering.

* Mohamad Hammoud was convicted in June 2002 on federal charges of materially supporting terrorism. His brother, Chawki, was convicted on related charges; eight others pled guilty in this case. These conspirators bought cigarettes in North Carolina, which then had a 5-cent-per-pack tax, affixed phony tax stamps and then sold them in 75-cent Michigan. Over four years, this yielded a \$1.5 million profit, part of which this gang forwarded to Hezbollah.

* Last May 5 and 6, state-tax agents arrested Khader Awawdeh, Fahmi Hassan, Hakim Al-Saydi and Dhafer Ghaleb in The Bronx. Officials say they possessed 1,924 illicit-cigarette cartons and 36,832 counterfeit-tax stamps.

* Hazam Ali Ahmed pled guilty on May 20 to 16 federal firearms, conspiracy, cigarette-smuggling and money-laundering charges. In one scam, he hustled some 20,000 cartons and harnessed the \$1.38 margin between Tennessee's and Michigan's per-pack taxes. His Knoxville-to-Detroit operation reportedly cost the two states some \$500,000 in revenue. An FBI Joint Terrorism Task Force wiretap caught Ahmed recruiting for al Qaeda and discussing blowing up a shopping center.

There's a convincing case for cutting or freezing cigarette taxes as a matter of life and death. Tobacco-tax-hiking politicians unwittingly have created a potentially lethal situation in which lighting a cigarette is like igniting the fuse on a bomb.

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