



### Testimony of Stan Sorkin

President, Connecticut Food Association

#### In Opposition to R.B. 930

Chairman Staples, Chairman Daily and Members of the Finance Committee. My name is Stan Sorkin, President of the Connecticut Food Association. Our Association provides policy advice, research, legislative and regulatory services to the grocery industry in the state. I am here today to testify in opposition to **RB 930, An Act Concerning the Cigarette Tax, the Tobacco Products Tax and the Alcoholic Beverages Tax**. I question the economics of the policy of increasing excise taxes and the net overall contribution of this tax increase on the benefit to the general fund. Regardless of the product, raising the excise tax increases the price of the product to consumers and thus a decline in store sales. Current users consume less and new users are met with a stronger barrier to buy the product for the first time. These facts lead to an overall decline in store sales and thus a decline in sales and excise tax collection. In the case of cigarettes, the Connecticut increase in the excise tax is on top of a recently enacted federal excise tax increase which would accelerate the fall off in revenue.

Moreover, an excise tax is a regressive tax and these price increases affect low income families on a disproportionate basis since they take up a larger percentage of their income. It is well documented that low income families are the prime consumers of these covered products.

Additional negative impacts on retail must be considered. First, higher retail prices lead Connecticut consumers to import products from lesser taxed sources, i.e. beer and wine from Massachusetts or tobacco products via mail order internet sales or from low tax southern states. Increasing the price differential between states only accelerates cross border sales and leads to a further erosion of Connecticut retail store sales and the fall off of tax revenues. Second, the increased value of a carton of cigarettes is likely to lead to an increase of crime at retail outlets. The high price of cigarettes makes them a more valuable commodity subject to robbery, shoplifting, or employee theft.

Finally, this committee is considering raising Connecticut's Sales and Use Tax to 7% from the current 6%. Increasing excises taxes and the overall sales tax at the same time puts a double hit on Connecticut consumers, makes Connecticut retail stores less competitive with border states, and sets the stage for a broader sales decline as additional products get purchased during an out of state shopping trip. CFA believes that when you do the final economic analysis, raising the excise tax is bad for Connecticut consumers, Connecticut retailers, and will not deliver incremental dollars to the general fund. In today's economic climate, we need ways to stimulate retail sales not a have tax policy that discourages them. **We urge you to vote NO on RB 930.**