

Statement of Swisher International, Inc., in Opposition to Raised Bill 930 and Requesting a Modification

Connecticut General Assembly-Finance Committee February 23, 2008

Chairman and Members of the Committee, Swisher International, Inc. a manufacturer of price value smokeless tobacco products, with offices in Darien, Connecticut, is opposed to the tax increases proposed in RB 930 based on the method of taxation, proposed tax increases and the fact that re-instatement of a progressive ad valorem method of taxation would make any tax increases unnecessary.

The Connecticut legislature changed the tax on snuff tobacco products in 2001 from an ad valorem method (at the time 20% of wholesale price) to a weight-based method of \$0.40 cents per ounce and a proportionate share on smaller amounts. In a Memorandum from the Office of Fiscal Analysis, Connecticut currently collects \$1 million from the tax on snuff tobacco products. Again, according to OFA, if the tax on moist snuff was levied at the rate of 20% of the wholesale price, Connecticut would receive an additional \$140,000 - \$150,000 per fiscal year (approximately 16% increase) in revenue collections.

The current weight-based tax method on moist snuff is not working and re-instatement of an ad valorem tax method is in the best interest of the state and the taxpayer. The current Connecticut weight-based methodology has forfeited revenue as manufacturer price increases and inflationary adjustments have occurred in the marketplace since 2001, which the current flat tax does not reflect.

Further, the Congress recently enacted new, additional tobacco excise taxes to fund an expansion of the State Children Health Insurance Program (SCHIP). If Connecticut were to immediately reinstate an ad valorem tax method on snuff tobacco products, the state would again additional revenues at the 20% ad valorem tax method as a result of the federal tax passing through the marketplace to the consumer. The federal tax on moist snuff was increased 158% under SCHIP with an effective date of April 1, 2009.

Without an ad valorem tax, the state will receive no additional revenues from the federal tax increase.

We respectfully oppose RB 930 in its' current form and request the Committee to strike the per ounce tax increase on moist snuff. Further, we respectfully request the Committee re-instate a 20% ad valorem tax on snuff tobacco products and maintain the rate for all Other Tobacco Products. This action will capture immediate forfeited revenues and set the stage for Connecticut to receive additional tax revenues from the recent Federal tobacco tax increases without raising taxes in this challenging economy.

Swisher International appreciates your consideration of our views. We would welcome the opportunity to work with you and the Committee to re-instate a fair and progressive system on snuff tobacco products sold in Connecticut.