
PIPE TOBACCO COUNCIL

March 10, 2010

Senator Eileen Daily, Co-Chair
Rep. Cam Staples, Co-Chair
Finance Committee
Legislative Office Building
300 Capitol Ave.
Hartford, CT 06106

Re: Raised Bill 437

Dear Senator Daily and Representative Staples:

I am writing on behalf of the Pipe Tobacco Council, Inc., the national trade association of manufacturers and importers of pipe tobacco, to express concern about the provision in Raised Bill 437 which would take the unusual step of taxing pipe tobacco like a cigarette.

The bill would increase the current 27.5% tax on pipe tobacco to 150 mills per each 0.0325 ounces – which translates to a tax of **\$73.84 per pound**. The reference to 0.0325 ounces comes from the definition of “cigarette” in the Master Settlement Agreement where it is assumed that 0.0325 ounces of roll-your-own cigarette tobacco are equivalent to one cigarette. However, pipe tobacco is not included in the MSA and it is not used in rolling cigarettes. It is not a product used by kids.

To tax pipe tobacco like cigarettes -- instead of as an Other Tobacco Product (“OTP”) -- would result in an excessive tax burden. To put it into perspective, the tax on a 1.5 ounce package of pipe tobacco which a manufacturer now sells to a Connecticut distributor for \$4 would surge to \$6.92. That is a tax rate of **173%**. As a result, the retail price of that product would climb from around \$5.50 to at least \$12.42. That will devastate sales of pipe tobacco in the state.

In April 2009 the highest tobacco tax increases in federal history were implemented to fund expansion of the State Children's Health Insurance Program (SCHIP). Until then, pipe and ryo tobacco had been taxed at the same rate -- \$1.09 per lb. While the SCHIP legislation increased the pipe tobacco tax 158% -- the same increase as for cigarettes -- to \$2.83 per pound, the ryo tax increased by more than 2,000% to \$24.78 per pound. According to *The Tax Burden on Other Tobacco Products*, the state received less than \$200,000 in tax revenue from the two products combined in FY 2008. Indeed, pipe tobacco is the smallest segment of the tobacco industry. In 1970 there were 52 million lbs. of pipe tobacco sold in the entire U.S. In 2008, there were less than 5.3 million lbs. sold.

In conclusion, pipe tobacco should not be taxed like a cigarette. Pipe tobacco is not included in the MSA and it is not used in rolling cigarettes. We ask you not to cripple this small industry by imposing such an astronomical and punitive tax increase.

Yours truly,



Norman F. Sharp
President