

**Testimony Submitted By:**

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**Relative to Act To Increase Tobacco Products Taxes – SB 437**

**Committee on Finance, Revenue and Bonding**

**March 15, 2010**

Co-Chairs Daily and Staples, and Committee Members, thank you for allowing this testimony in opposition to SB 437. SB 437 is the legislation that would increase the tobacco pipe and roll-your-own excise tax to the same tax rate as the state's cigarette tax which is \$3 per pack. NECSA's Connecticut Chapter represents convenience stores across the state and our membership consists of independent operators as well as chain stores.

**Our members wish to be recorded in opposition to these significant tobacco tax increases and ask you to vote against this bill for many reasons.** This bill would increase the current roll your own and pipe tobacco taxes higher than any than other New England states to the detriment of retailers and tobacco sales in Connecticut. **In fact, if passed, this bill would increase the tobacco tax on the roll-your-own tobacco or loose tobacco by approximately 400-500% depending upon the product and it would be an over 200% increase in taxes on pipe tobacco.**

Specifically, the current state tax on popular roll-your-own tobacco is approximately .51-.60 cents (on product such as Midnight Spec and Bugler Pocket). This bill would raise those tax rates by 400% to 487% in order to be comparable to the \$3 per cigarette pack state tobacco tax. Additionally, if passed, the bill would raise pipe tobacco taxes from approximately .98 cents in state excise taxes (Captain Black pipe tobacco) to \$3, which is a 205% increase in that tax.

Just six months ago, Connecticut raised the rate of the cigarette tax from \$2 per pack to \$3 per pack and our members are still absorbing the negative consequences of that increase. Currently, the Connecticut cigarette tax is the second highest cigarette tax rate in New England and 49-cents higher than neighboring Massachusetts. Rhode Island has the highest cigarette tax which passed last year

and they saw an immediate drop in tax stamp sales by 59% after that increase.

Raising these other tobacco taxes would also drive away sales from Connecticut convenience stores and every sale counts for the viability of our retail members in this recession.

As described, SB 437 is a serious concern for NECSA's Connecticut membership because if passed, current customers will likely go to less expensive tax states and the Internet for these purchases. And, unfortunately, tobacco tax hikes cause some customers to turn to lower cost alternatives including purchasing these products at Native American Reservations or through illegal contraband networks to avoid a state's tobacco tax.

Convenience store customers also purchase gasoline, coffee and other beverages, and food. Therefore, if these tobacco taxes are increased, then overall related sales will suffer along with our tobacco sales and ultimately the state's tax revenue from these other sources will suffer too.

Additionally, funding any state program with a declining revenue source like a tobacco tax guarantees that more taxes will be needed later.

If passed, these increases will likely be passed on ultimately to customers who are already facing economically challenging times and we hope you will consider them as well.

Many convenience storeowners are managing their stores and could not be here today. Based upon the negative impacts we've described, NECSA members respectfully ask you to oppose passing the tobacco tax increases proposed in SB 437.

Thank you for your consideration of our concerns.