

Testimony of Brian Shapiro  
March 7, 2011

As a resident of Connecticut I understand the difficult financial situation that exists. It is important we all do our part however I am here to testify today that the premium cigar industry has already contributed much more than its fair share and the proposed increase is disproportionate to every other business sector:

- In 2009, President Obama signed into law raising the Federal Tax on cigars by 700% (.05cents per cigar to .40 cents per cigar) At that time the State of CT's share of revenues increased as the additional Federal Tax is included into the cost of goods and the OTP tax is based upon the cost of goods.
- In 2009 the State of CT increased its OTP tax from 20% to 27.5% representing a 35% increase in this tax.
- Now the State of CT is proposing a 50% OTP Tax which represents an 81% increase. In contrast, the proposed Cigarette tax increase is only 13%. Why are cigars consistently being raised so disproportionately to other taxes??
- According to industry experts, the Premium Cigar Internet Business currently represents between 55-60% of all premium cigars sold in the U.S. Those consumers are already lost to CT brick and mortar retailers; further increase of this tax will only serve to lose more in state consumers. NO OTP taxes are charged by on line sellers so this makes it very difficult for consumers to ignore savings of anywhere from \$50-\$100 on each box of cigars.
- Most of our neighboring states have a lower cigar tax: RI has a higher tax but caps each cigar at \$.50 cents. This cap has served to increase tax revenues in Rhode Island as cigars are more competitively priced with online sellers. Massachusetts has a 30% cigar tax, as does New Jersey. New York raised their cigar tax to 75%, which has decimated the industry so much so that they are now considering a \$1 cap per cigar. Other states that have very high taxes like Washington State and Oregon have also implemented caps that have rejuvenated the industry and increased tax revenues.

Premium cigars need not be bought in shops. It is extremely convenient to purchase online and consumers know this. An increase of the cigar tax will continue to chase business out of Connecticut thereby reducing revenues. I am confident that this information I have provided is accurate and that the progressive measures taken by other states be considered or our state will suffer the same consequence.