



March 9, 2015

Co-Chair John W. Fonfara
Co-Chair Jeffery J. Berger
Senator Scott L. Frantz
Representative Christopher Davis

Finance, Revenue and Bonding Committee:

The Connecticut Energy Marketers Association (CEMA) represents 576 family owned petroleum marketers and their associated business in Connecticut. Our members own, operate, and distribute gasoline to 1,400 gasoline and convenience stores. CEMA members employ over 13,000 people in our state.

We are submitting testimony on S.B. 946, AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.

We believe that there are three ways to increase revenue for the state and help local retailers be more profitable without raising taxes.

1. Increase the minimum markup on cigarettes;
2. Find the petroleum gross earnings tax to a set cents per gallon tax from the current percentage tax;
3. Allow for the sale of beer a convenience stores.

Increase the Minimum Markup on Cigarettes - + \$5 million –

State law currently sets the minimum price that cigarettes can be sold at 8%. According to the Connecticut Department of Revenue Services (DRS) the state sales tax when assessed on cigarettes collected \$80,512,530 FY 2013/14. If the minimum was set at 18% for that same year revenue would have been approximately \$85,833,760, generating \$5,321,230 in additional revenue without increasing taxes.

This increase allows local family owned c-stores to increase profits, the state to generate additional revenue and still allows us to have a lower minimum cigarette price that Massachusetts (which is 21%).

Further, a report

(http://www.ct.gov/sustinet/lib/sustinet/taskforces/tobaccotaskforce/07012010report/tobacco_task_force_july_2010.pdf) from the Tobacco and Smoking Cessation Task Force to the Sustinet board states that *"The Task Force supports an increase to both the wholesaler and retailer minimum markups... Massachusetts...opted to increase their minimum markup...to help the retailer make up for lost revenue."*

Changing the Petroleum Gross Earnings (GET) from a Percentage Tax to a Cents Per Gallon - + \$29 million –

Connecticut is at a tremendous disadvantage because of the current taxes that are levied on gasoline. We have the highest tax in New England on gasoline and are consistently in the top three nationally.

Part of the problem with Connecticut's gasoline tax is that the GET is percentage tax is assessed on the wholesale price of gasoline with a cap that is set at \$3.00 per gallon.

The current GET has an effective rate of 8.81%, generates approximately 14 cents per gallon (cpg) today. This is in stark contrast to the revenue that the tax was generating when wholesale we at and above \$3.00 per gallon, and the tax was generating over 26cpg. This 12cpg decline in GET revenue (if maintained over a year) would cost the state \$172,066,601.

Fixing the GET at a fixed 16cpg would generate approximately \$229,342,135 and provide the state with a predictable and budgetable revenue stream, while allowing business to be more competitive with state in the region and a simplified tax.

Sale of Beer at Convenience Stores - + 1.7 million -

Package stores are already allowed to sell key c-store products like cigarettes, lottery, "publications" (ie. newspapers), ice and other core c-store offerings.

If package store owners would like to open the law up and allow the sale of beer at c-store we would welcome allowing them to sell additional c-store products like cigars, but if this is about further erosion of the key products that we sell we are opposed to giving preference to package stores over c-stores.

CEMA supports allowing c-stores to sell beer for the following reasons:

- **Consumer Choice** – Under the current law the government chooses the winners and losers by dictating who can and who cannot sell beer. Consumers should choose who they want to do business with and buy products from.
- **Greater Competition** – Today the law restricts where beer can be sold. Allowing c-stores to sell beer would add competitors to the marketplace who will fight to keep and gain new customers. When businesses compete – consumers win;

- Increased Revenue to the State – In 2011, the Office of Fiscal Analysis (OFA) reported that S.B. 864 (allowing for the sale of beer at c-stores) would “result in a gain from the alcoholic beverage and sales taxes of \$1.7 million annually”. This means that the state can increase revenue without raising taxes.
- Loss of Tax Revenue - Most of New England and New York allow the sale of beer at c-stores. Connecticut is at a competitive disadvantage because of this antiquated Blue law and suffers state and local tax losses because of it.

Adopting these three proposals would **generate approximately \$36 million in additional revenue to the state without increasing taxes** and help small family business become more competitive.

Respectfully,



Christian A. Herb
President

Proposed Increase in Cigarette Minimum Markup

	Current 8%	Proposed 9% Minimum markup	Proposed 10% Minimum markup	Proposed 12% Minimum markup
FY 2013/14 Cigarette Excise Tax	\$ 364,343,061			
Excise Tax Per Pack	\$ 3.00			
Total Packs Sold	121,447,687			
Avg. Price Per Pack	\$ 7.44	\$ 7.51	\$ 7.58	\$ 7.72
Cost after minimum markup	\$ 903,570,791	\$ 912,072,129	\$ 920,573,467	\$ 937,576,144
Total Sale Amount Subject to Tax	\$ 1,267,913,852	\$ 1,276,415,190	\$ 1,284,916,528	\$ 1,301,919,205
Sales Tax (6.35%)	\$ 80,512,530	\$ 81,052,365	\$ 81,592,200	\$ 82,671,869
		\$ 539,835	\$ 1,079,670	\$ 2,159,340
Total Cost to Consumer	\$ 1,348,426,382	\$ 1,357,467,555	\$ 1,366,508,728	\$ 1,384,591,074
Price per Pack to Consumer	\$ 10.63	\$ 11.18	\$ 11.25	\$ 11.40
Sales Tax Per Pack	0.6629	0.6674	0.67183	0.68072

Increase in sales tax re

	Current 8%	Proposed 15% Minimum markup	Proposed 18% Minimum markup	Proposed 21% Minimum markup
FY 2013/14 Cigarette Excise Tax	\$ 364,343,061			
Excise Tax Per Pack	\$ 3.00			
Total Packs Sold	121,447,687			
Avg. Price Per Pack	\$ 7.44	\$ 7.93	\$ 8.13	\$ 8.34
Cost after minimum markup	\$ 903,570,791	\$ 963,080,158	\$ 987,369,695	\$ 1,012,873,710
Total Sale Amount Subject to Tax	\$ 1,267,913,852	\$ 1,327,423,219	\$ 1,351,712,756	\$ 1,377,216,771
Sales Tax (6.35%)	\$ 80,512,530	\$ 84,291,374	\$ 85,833,760	\$ 87,453,265
		\$ 3,778,845	\$ 5,321,230	\$ 6,940,735
Total Cost to Consumer	\$ 1,348,426,382	\$ 1,411,714,593	\$ 1,437,546,516	\$ 1,464,670,036
Price per Pack to Consumer	\$ 10.63	\$ 11.62	\$ 11.84	\$ 12.06
Sales Tax Per Pack	0.6629	0.6941	0.706755	0.72009

Increase in sales tax re

Connecticut Petroleum Gross Earnings Tax (GET) Assumptions

2013/2014 fiscal year gallons sold	1,433,388,341
Current GET rate	0.88139%

Scenarios -	<u>Total Revenue</u>
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GET at today's price:

GET @ \$0.14/gall	\$200,674,368
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GET if fixed at a set **16cpg**

GET@ \$0.16/gall	\$229,342,135
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+\$28,667,767 in additional revenue from increasing GET revenue from 14cpg to 16cpg

Chris Herb

From: opisadmin@opisnet.com
Sent: Monday, March 09, 2015 8:25 AM
To: chris@ctema.com
Subject: OPIS Wholesale Racks with OPIS Spot Mean

Account #146195

To align the following data, change the font size to 9 in Courier New.

NEW HAVEN, CT

2015-03-09 08:13:22 EDT

OPIS NET RFG ETHANOL(10%) PRICES

Table with columns: Terms, Unl, Move, Mid, Move, Pre, Move, Date, Time. Rows include XOM, NWENGLPTR, GULF-GIE, Valero, Global, Sunoco, BP, Gulf, Shell, Citgo, GlobalXOM, Shell, Irving, Sprague, Irving, Valero, LOW RACK, HIGH RACK, RACK AVG, and various OPIS NYH BARGE SPOT MEAN and DELIVERED SPOT (SRI) entries.

NEW HAVEN-BRIDGEPORT-STAMFORD-WATERBURY-DANBURY, CT

Table with 2 columns: Item, Price. Rows include LOW RETAIL (231.95), AVG RETAIL (251.97), LOW RETAIL EX-TAX (173.22), and AVG RETAIL EX-TAX (193.35).

NEW HAVEN, CT

2015-03-09 08:13:22 EDT

OPIS NET ULTRA LOW SULFUR DISTILLATE PRICES

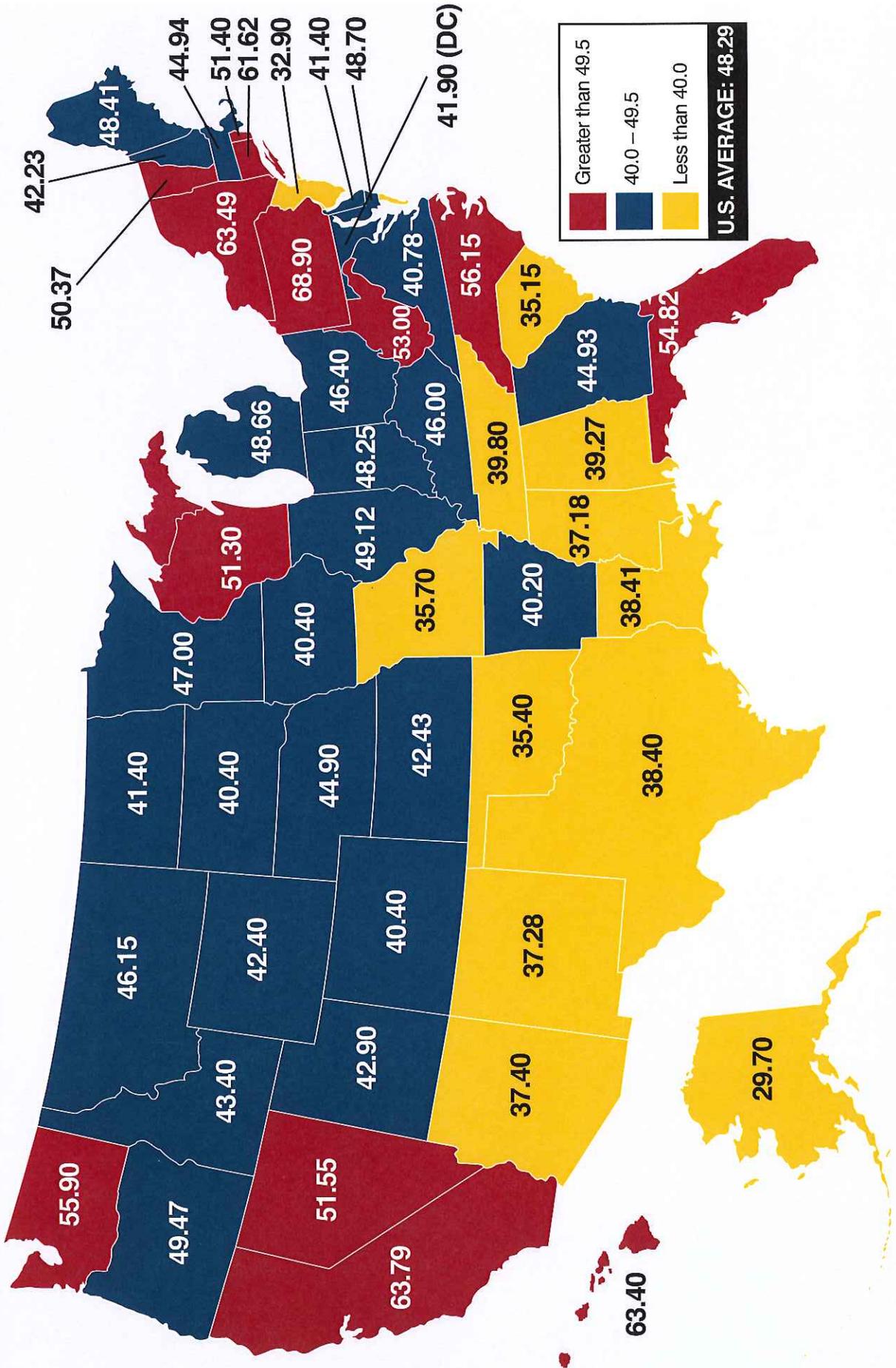
Table with columns: Terms, No.2, Move, No.1, Move, Pre, Move, Date, Time. Rows include GlobalXOM, Global, Valero, and Irving.



AMERICAN PETROLEUM INSTITUTE

GASOLINE TAXES

COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)
RATES EFFECTIVE 1/01/2015- Revised 1/16/2015



Disclaimer: This report is posted for informational purposes only and should not be relied upon or used for compliance purposes.

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200

Hartford, CT 06106 ☎ (860) 240-0200

<http://www.cga.ct.gov/ofa>

SB-864

AN ACT CONCERNING GROCERY STORE BEER PERMITS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 \$	FY 13 \$
Department of Revenue Services	GF - Revenue Gain	800,000	1,700,000
Consumer Protection, Dept.	GF - Revenue Gain	1,386,000	306,000
Consumer Protection, Dept.	GF - Cost	150,594	276,609
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	31,464	60,598

Note: GF=General Fund

Municipal Impact: None

Explanation

It is anticipated that the bill would increase beer consumption in the state by roughly 10%, which is estimated to result in a gain from the alcoholic beverage and sales taxes of \$1.7 million annually and \$800,000 in FY 12 (partial year).

The bill results in a revenue gain of approximately \$1,386,000 in FY 12 and \$306,000 in FY 13 from increased permit fee revenue. An estimated 1,800 additional outlets would apply for a provisional grocery store beer permit (\$500 permit fee) and then apply for a grocery store beer permit (\$100 application fee and \$170 permit fee) in FY 12. In FY 13 revenue would continue from the annual \$170 permit fee.

The bill results in a cost to the state of \$182,058 in FY 12 and \$337,207 in FY 13 as 5 additional personnel would be required in the Department of Consumer Protection. These staff include 2 Liquor Control Agents, 1 Processing Technician, 1 Staff Attorney and 1 Paralegal Specialist. Total personnel costs in FY 12 are \$132,425 along with supporting operating and equipment costs of \$18,169. Total personnel costs in FY 13 are \$255,041 along with supporting operating and equipment costs of \$21,568. Fringe benefits would cost \$31,464 in FY 12 and \$60,598 in FY 13. The personnel would be needed for permit