Bill No.: HB-6655  
Title: AN ACT CONCERNING THE TAX TREATMENT OF TOBACCO PRODUCTS THAT ARE EXPORTED FROM THE STATE.

Vote Date: 4/30/2019  
Vote Action: Joint Favorable  
PH Date: 2/13/2019  
File No.:  

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SPONSORS OF BILL:
Finance, Revenue, and Bonding Committee

REASONS FOR BILL:
To expand exemptions on the state’s tobacco products tax to include (1) all tobacco products and (2) tobacco products located on the premises of a warehouse the distributor owns or leases. These exemptions would expand on current law which exempts cigars that are exported from Connecticut, owned by a distributor, and located on the premises of a company performing “fulfillment services”.

RESPONSE FROM ADMINISTRATION/AGENCY:
None Expressed.

NATURE AND SOURCES OF SUPPORT:

Representative Themis Klarides, 114th District, House Minority Leader is a co-sponsor of the bill, and wrote testimony in support of the legislation, stating it would create parity in taxation by allowing more than these companies to operate in this manner. The testimony states that prior to the law currently in place, exported cigars came at the price of an excise tax, only to have to file for a tax credit afterward since exported cigars are not taxable. This bill would expand the scope of the law to include other tobacco-related products.

Jeff Tomei is the owner and operator of a licensed tobacco products distribution company that exports 100% of sales out of state, and wrote testimony in favor of the bill. He states that his business is purposely structured this way due to the steep taxes of operating within the state. Due to interpretive issues with the DRS, Tomei states that he must do more to manage
his business rather than focusing on growth. However, this bill should allow focus to shift to business growth. The testimony also offers language changes regarding “fulfillment services” as the previous legislation on the topic passed in 2018 made law that there must be a third party to conduct such services. Tomei offers language that makes the statute “only focus on ensuring that export sales are not subject to tax at any time”.

Jake Butcher, State Affairs Manager, Vapor Technology Association writes in support of the bill, and lists ample studies comparing e-cigarettes to traditional cigarettes and contrasting the health effects. Using the claims made from those studies, Butcher argues that e-cigarettes are a valuable deterrent to smoking combustible cigarettes, and thinking to tax them at the same rate is not what should be done. Rather he suggests that it be the opposite, and that e-cigarettes, if properly regulated and non-punitive taxing, should only be taxed at a mild rate, as many businesses in vapor technologies are small businesses.

NATURE AND SOURCES OF OPPOSITION:

Ruth Canovi, Director of Public Policy, American Lung Association expressed opposition to the bill, as she states that tobacco is the leading cause of preventable death and disease, and its taxation is a deterrent to its use and a major revenue driver for the state. The suggestion made in the testimony is for parity in the tax rate for tobacco, but suggest that the state should follow suit with the taxation of traditional cigarettes, and make all tobacco products taxed at the rate of 97% of the wholesale price. Canovi also references that the state has not been spending what was advised on tobacco prevention, and that the Tobacco and Health Trust Fund has been eliminated indefinitely, with a majority of the funds being placed in the General Fund.

Reported by: Logan Cotter  
Date: 05/07/2019