



# OHIO ASSOCIATION OF CONVENIENCE STORES

Testimony on Proposed Tobacco Excise Tax Increases

House Bill 49

Good Morning Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers, and Members of the House Ways and Means committee, thank you for affording me the opportunity to provide testimony. My name is Jeffrey Erb. I serve as the current President of the Ohio Association of Convenience Stores (OACS) and sit on the Board of the Ohio Council of Retail Merchants. I am General Manager of Sanholtz-Mckarns Inc. located in Montpelier Ohio. We operate the Main Stop chain of convenience stores.

I stand in opposition to the proposed excise increase tax on cigarettes, other Tobacco Products (OTP), and vapor as well as the proposed tax hikes on beer and wine. At the Main Stop's we pride ourselves on serving our communities. We take very seriously the responsibility of selling tobacco and alcohol and want to ensure that no underage person has access to those products. We have an independent, outside company that tests our employees multiple times per month to make sure they are following the law and are asking for and reading ID's. I am not arguing for or even hoping for more cigarette sales at our stores.

So why would I drive 3 hours to Columbus to stand before you and ask you not to raise the taxes on Cigarettes and OTP? Because people who buy cigarettes and OTP do not just buy cigarettes and OTP. They purchase fuel, pop, beer and Ohio Lottery tickets. Each of the above mentioned items generate additional revenue for the state in the form of excise tax and sales tax.

Main Stops compete directly with retail stores in Michigan and Indiana. The state has raised taxes many many times on cigarettes over the years. The last biennium budget cigarette taxes were raised and Main Stops saw an average loss of 4% in cigarette sales on our border stores. If you enact any increase in taxes on cigarettes, OTP, vapor or beer and wine, this will exacerbate an already bad trend. Please remember this does not just affect cigarette and

tobacco sales, it affects everything that customer would have purchased and represents a loss of much more revenue to the State than just cigarette and tobacco tax.

If passed, Ohio will have the highest cigarette tax on every border except Pennsylvania. That is a lot of miles of border that will draw Ohio taxpayers out of the state of Ohio. And please remember when our citizens go shopping in another state they will buy more than tobacco products. I feel confident that our surrounding states are hoping to see these tax increases enacted, knowing they will enjoy a windfall.

Why would anybody oppose an increase on cigarette taxes? Doesn't raising the cost of cigarettes make people stop smoking? As I have operated convenience stores for 30 years I have watched each tax increase on cigarettes produce the same basic scenario. Customers at border stores disappear or are seen much less frequently. Customers who do not have the option to drive across a border for cheaper product resign themselves to paying a higher price. They will complain and they might downgrade to a cheaper product but they very rarely quit. I believe people quit because of education and lifestyle changes not higher cigarette prices. I have never heard of one of our customers who quit say that they quit because the price was too high.

In summation, instead of asking you to build a border wall to help us from losing business to our neighbors, I would ask for a fair shot at keeping my customers from being incentivized to cross the border. Please do not enact the proposed tax increases that would no doubt have a detrimental impact on our small businesses and our State's bottom line. What is the ceiling on cigarette excise taxes? I believe we have already passed it.

Thank you again for the opportunity to testify on this important issue. I would be happy to answer any questions you may have.