

C H E A P
TOBACCO

Ohio House of Representatives
Ways and Means Committee
House Bill 49, State Budget

Testimony of Compton Point, Inc.
Owner of Cheap Tobacco

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Chairman Schaffer, Vice Chair Scherer, Ranking Member Rogers, and Members of the Committee,

We submit this testimony on behalf of our Ohio-based company **Compton Point, Inc.**, with corporate headquarters in Cincinnati, Ohio. I am Will Vorys and represent the company as legislative counsel.

Compton Point operates a manufacturing facility making tubes for cigarettes and also manages 40 Ohio-based tobacco retail outlets operated under the trade name “Cheap Tobacco.” Our stores are tobacco specialty shops and sell all manner of products including cigarettes, cigars, and other tobacco products. All told, we proudly employ over 150 Ohioans across the communities we serve.

The administration’s proposed budget seeks to increase the state cigarette tax by 41% (from \$1.60 to \$2.25 per pack) and the state tax on “other tobacco products” by 52% (from 17% of the wholesale price to 69%). We believe the industry and their customers are taxed enough and oppose any effort to hike taxes on our products. Small Ohio businesses like ours are already dealing with an uncertain economy—the administration’s proposed tax increases will only make it more difficult to survive in the current economic climate. In particular, Ohio retailers are expected to lose tens of millions of dollars in gross profits upon full implementation of the tax hike.

We also testify in the interest of our consumers. Most of Ohio’s adult smokers are at the lower end of the income spectrum. These Ohioans already pay more than their fair share of the Ohio tax burden and a tax of an extra 65 cents per pack of cigarettes is simply excessive. A pack a day smoker will pay hundreds of dollars more per year, and that doesn’t include other added sales tax. We do not think it is wise to fund an income tax cut with a tax increase shouldered primarily by low-income individuals.

Finally, we know you have heard statistics about the relationship between tax increases and cross-border sales. We have direct experience with this phenomenon. After the state cigarette tax increase in 2013, we closed our Hamilton County stores because our customer base began buying its tobacco products in Kentucky. In addition, we relocated our store along the Ohio river into West Virginia where tax rates are more favorable and our customers were

shopping. To be clear, we would have preferred to keep our investment in-state, but faced with closing the store or re-locating across the border, we chose the latter—which our employees no doubt appreciated. And when businesses like ours are forced to relocate, Ohio foregoes even more sales tax revenue.

The administration's plan to increase taxes on cigarettes and other tobacco products will further incentivize smokers along the West Virginia, Kentucky, and Indiana borders to start traveling out of state for their cigarette purchases. And those shoppers will not just buy cigarettes out of state, they will also buy other products, which means even more lost tax revenue for Ohio and lost sales for Ohio businesses.

For all of the above reasons, we urge the committee to remove the tax increases on cigarettes and OTP from HB 49. Thank for the chance to testify and I am glad to take any questions.