

**Statement to House Ways and Means Committee**  
**House Bill 49**

**March 9, 2017**

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Member, National Association of Tobacco Outlets

Chairman Tim Schaffer and members of the House Ways and Means Committee my name is David Newman. My wife, Karie and I own and operate two tobacco stores, with one in Austintown, and one in Salem, Ohio. We have two full-time employees and six part-time employees. I am also a member of the National Association of Tobacco Outlets, a trade association for tobacco stores, that has 80 members in Ohio with each store employing 8 to 10 Ohioans. I am very concerned about the impact that more increases in the state cigarette and tobacco taxes, and a new vape tax will have on my family business and my employees' jobs.

The Ohio cigarette excise tax was raised by 35 cents a pack in 2015. Now, the Governor wants to raise taxes on cigarettes by an additional 65 cents per pack, a 52% increase in the OTP tax, a floor tax and creating a vapor tax of 69%. These increases will make it very difficult for us to continue to do business.

One of my major concerns is the reality of cross-border sales. My stores are in the Youngstown market, which is only 20 minutes from the Pennsylvania and West Virginia border. Currently, Pennsylvania cigarette tax is \$2.60 per pack. When this tax increase occurred, we saw an increase in our business by 25%. If this tax increase occurs we can expect a significant loss in business. If the Governor gets this proposed tax rate, I can expect a 50% loss in business. How do I know this? My customers have already told me that they would go to Pennsylvania or West Virginia to buy their cigarettes, tobacco and vape products.

This means that family-owned, law abiding retail businesses will be losing business at 70 miles per hour. Moreover, residents will also turn to the Internet to order tobacco and vape products to avoid paying any state excise taxes or sales taxes. In that scenario, both retailers and the State of Ohio lose.

The state legislature should not adopt tax policies that force residents to travel to other states to save money, penalize hardworking business people and jeopardize our employees' jobs.

Our customers are largely low-income citizens. They are the least able to absorb continuing increases in taxes and prices. You can only tax products so much before the taxes become self-defeating. People will no longer be able to afford them.

Another major problem resulting from higher taxes is theft. It is a very real concern, and we have been affected personally. We recently moved our Boardman store to Austintown, but before doing so our Boardman store was broken into and more than \$20,000 in cigarettes and tobacco were stolen. The thieves were very sophisticated, cutting off the alarms and telephone lines in the process. As you can imagine, the experience was very traumatic for me, my wife and our employees.

I have no doubt that these stolen products wound up on the black market, substantially reducing sales by law-abiding wholesalers and retailers, costing employees their jobs and the state cigarette and sales tax revenue.

For the future of our retail stores and to protect our employees' jobs, I urge you to oppose the Governor's cigarette, tobacco and vape tax proposal.

Thank you for this opportunity to testify.

David Newman