



The Ohio Premium Cigar & Pipe Association

www.opcpa.org

To: Chairman Schaffer and House Ways and Means Committee Members

From: Ohio Premium Cigar and Pipe Association

Date: March 15, 2017

Re: Ohio's Cigar Retail Environment / REQUEST – NO OTP INCREASE

My name is Jim Clark and I am the president of the **Ohio Premium Cigar and Pipe Association**. I am also the owner of *Straus Tobacconist*, the 4th oldest premium cigar store in the nation, located in Cincinnati, Ohio.

OPCPA Background Information: The Ohio Premium Cigar & Pipe Association, is a non-profit trade association organized as the advocate for the independent premium retail tobacconists in Ohio.

OPCPA represents retail stores in all regions of the state of Ohio that sell premium cigar and pipe tobacco products. **We are the “mom & pop” retail stores**. Many of OPCA members' businesses are family-owned, spanning several generations.

Premium cigars are found mostly in premium cigar stores. All the other items in the OTP category can be found in several types of stores – ranging from convenience stores to gas stations.

In Ohio, and across the country, **most premium cigar retailers sell just premium cigars**. Lost revenue from decreased cigar sales cannot be made up on coffee, beer or bread.

When taxes are raised, even by a penny, it is a tax increase on 90-100% of the entire small business.

We want to stress how an **increase of any kind, even just 1%, to OTP taxes is extremely detrimental** to our businesses. Our stores will eventually close and jobs will be lost due to out-of-state retailers who sell to Ohioans via the internet tax-free.

On the internet, there is 0% OTP tax. So, if you're a cigar smoker, you can pay 0% online and have a product shipped to your door, or you can go to one of the hundreds of retail shops here in state and pay at least 69% more in OTP taxes.

Currently, over 60% of cigars purchased by Ohioans are purchased from other states due to tax-free options.

- **The State of Ohio is missing out on all of that tax revenue.**
- **Ohio's premium cigar retailers are losing all of those sales to other states and our shops are suffering**

Large internet-based cigar outlets are located **in states where there is no premium cigar tax**.

Products are shipped into Ohio with no excise taxes - OTP or sales tax - direct to consumers.

Real Example Comparing Ohio Store Purchase vs. Legal Internet Purchase:

Here is a simple case-study showcasing how it is **easier (and cheaper) to do business outside of Ohio** due to OTP taxes.

I urge you to now to please look at this table below to compare costs.

These figures are based on the sale of the Romeo and Julieta 1875 Churchill that is hand made in the Dominican Republic by the world's largest premium cigar manufacturer - Altadis, USA.

ROMEO Y JULIETA 1875 CHURCHILL - Manufacturer's list price for a box of 25 cigars is \$105.49.

| Purchase Comparisons | CURRENT | 2017 PROPOSAL | ONLINE |
|-------------------------------------|------------------------|------------------------|------------------------|
| Add Ohio OTP Tax | \$17.93 | \$72.78 | \$0.00 |
| Freight / Shipping Charged | \$2.10 | \$2.10 | \$6.99 |
| Total Cost for Ohio Retailer | \$125.52 | \$180.78 | n/a |
| Our Store's Sale Price | \$200.25 | \$325.00 | \$109.00 |
| Add Sales Tax | \$14.02 | \$18.69 | \$0.00 |
| Total Price Paid by Consumer | <u>\$214.27</u> | <u>\$343.69</u> | <u>\$116.98</u> |

As you can see, the OTP tax increase of 2017 would add **over \$120** to just this single purchase.

Common sense will drive all purchases of cigars to online stores.

The 2017 OTP tax proposal will make premium cigar purchases close to **300% more expensive in Ohio** than online.

The State of Ohio and all brick and mortar shops will **both** suffer. For example, the current cost to the state in lost revenue is almost \$30 on this transaction alone (\$17.93 in OTP and over \$14 in lost sales tax - depending on the retailer markup).

An increase in the OTP will push more and more brick and mortar consumers to the out-of-state and online suppliers. Going forward, Ohio will not see rising OTP revenues - the state and will struggle to maintain the current levels of collection.

The Ohio Premium Cigar and Pipe Association **urges you to NOT increase OTP taxes.**

P.S. - If you raise the OTP tax, then **no small business tax cut or income tax cut of any kind will ever matter, because our businesses will not be open any longer.**

ATTACHMENT A – Receipt of Purchase from an Ohio Premium Cigar Retailer



Straus Tobacconist - Cincinnati

410 Walnut St.

Cincinnati OH 45202

www.e-straus.com

(513) 621-3388

Ticket # 10028507 User: JCLARK
2/1/2017 5:22:43 PM

Name: Jim Clark

| Item | Qty | Price | Total |
|-----------------------------|-----|-------|---------------|
| Description | | | |
| RyJ Churchill | 25 | 8.90 | 222.50 |
| Romeo y Julieta Churchill | | | |
| Discount (10% Box Discount) | | | -22.25 |
| | | | ----- |
| Subtotal | | | 200.25 |
| Tax | | | 14.02 |
| | | | ----- |
| Total | | | 214.27 |
| | | | ===== |

Tender:
CASH 214.27

Number of line items purchased: 1

Thank you!

Remember to LIKE us on Facebook to
keep
up-to-date on what's happening!

**Total discount -
You saved 22.25**

ATTACHMENT B – Receipt of the Same Purchase from an Online/Out-of-State Retailer



1911 Spillman Dr.
Dept #26
Bethlehem, PA 18015
1-888-244-2790

ORDER CONFIRMATION
Order Confirmation # **CI009468854**
February 1st, 2017

| Bill To | Ship To | Shipping Preference | Payment Type |
|--|--|---|---|
| JIM CLARK 410 Walnut St CINCINNATI, OH 45202 (513) 702-1947 | JIM CLARK 410 Walnut St CINCINNATI, OH 45202 (513) 702-1947 | CI Saver Shipping \$6.99 Estimated delivery date for in-stock items is 2-6 Business Days. | Credit Card: ...3387 Expires: 07/2020 Amount: \$116.98 |

| Cart Items | Item # | In Stock | Price | Qty | Total |
|--|--------------|----------|----------|-----|----------|
| Romeo y Julieta 1875 Churchill BOX OF 25 | W6-170127-32 | In Stock | \$109.99 | 1 | \$109.99 |

Notes:

- Contact us via the [Customer Service Request Form](#) or call us toll-free at **1-888-244-2790**.
- Customer Service Hours:
 - Monday through Friday, 7:00am to 11:00pm ET
 - Saturday, 9:00am to 7:00pm ET
 - Sunday, 9:00am to 5:00pm ET
- All orders may be subject to authorization.
- Remittance of any taxes on orders shipped outside of Pennsylvania is the responsibility of the purchaser.
- **Any order changes/additions/cancellations can only be requested through telephone contact with our Customer Service Department no later than 11:00pm ET. Customer Service can be reached at 1-888-244-2790.**

| | |
|--------------------------|-----------------|
| Sub-Total | \$109.99 |
| CI Saver Shipping | \$6.99 |
| Sales Tax | \$0.00 |
| Order Total | \$116.98 |