



**HB 96 – Testimony
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Chairman Stewart, Vice Chair Dovilla, Ranking Member Sweeney, and members of the House Finance Committee, thank you for the opportunity to come before you today to offer testimony on tobacco tax components relative to House Bill 96.

As President of the Ohio Grocers Association, I proudly represent over 300 food retail, wholesale and supply companies across the Buckeye state. My members include the smallest “mom and pop” stores, independent grocers as well as some convenience stores and of course the food wholesalers who supply these stores.

I am here today to protect these jobs and hopefully prevent any tax policy that will be harmful to the future growth and quite frankly sustainability of Ohio’s grocery industry. We support the leadership and direction that Governor DeWine has taken our economy and state in making Ohio a better place to work and live. Yet, I have an obligation to protect my members from public policy that will have an adverse impact on their operations, especially a policy that places an unfair tax burden on high-volume, low-profit businesses.

To that end, we are here to express our concerns about the proposed tobacco tax increases. Plain and simple, tobacco sales are important to Ohio retailers. Ohio stores sell hundreds of millions of dollars’ worth of tobacco sales every year. A tobacco tax would significantly hit Ohio retailers and businesses.

Customers also purchase other items while they are there, so the state loses significant tax revenue, and Ohio retailers lose sales. I also represent several convenience stores; while cigarettes sales are a smaller percentage of grocery store sales; it is quite the opposite for a convenience store. Tobacco products are an important source of revenue for the convenience store industry. According to the National Association of Convenience Stores (NACS) menthol cigarettes account for 34% of cigarettes sales and flavored cigars account for 51% of cigar sales in convenience stores today. Adult smokers purchasing these products also purchased \$10.7 billion in other non-tobacco products during their visits to convenience stores. The fact remains that these increases will put Ohio retailers and the entire state at a competitive disadvantage.

Here are two reasons why Ohio’s grocery industry is intensely opposed to tobacco tax increases:

1. Any tobacco tax increase would have a chilling effect on the profitability of Ohio's grocers and retailers.
 - a. We know that smokers rarely just buy their pack of cigarettes but would also purchase additional items. Given our industry's razor thin profit margin, Ohio's grocers count on large volumes of purchases to keep their businesses afloat. Any loss in sales would lead to the grocer having to cut back hours and ultimately lay off workers.
Moreover, a less profitable grocer is not going to be able to re-invest in their store which can have a ripple effect on their ability to make capital investments and hire lighting, refrigeration and other contractors servicing our industry. Of course, from a fiscal standpoint less sales equals less state sales tax that we will be able to contribute to the state.
2. The proposed increase in the tobacco tax rate would place Ohio as the highest of all our border states
 - b. Smokers have other options (legal and illegal) to obtain their tobacco products. A tobacco tax increase will further direct current Ohio smokers to alternative and likely tax-free options such as the Internet, out-of-state retailers and the black market. In addition, border states such as Indiana (99.5¢), West Virginia (\$1.20) and Kentucky (\$1.10) already enjoy significant competitive advantages over Ohio's retailers with their excise tax rates. Furthermore, the \$1.50 cigarette tax increase that would raise taxes 94% to \$3.10 per pack would put Ohio higher than Pennsylvania (\$2.60) and Michigan (\$2.00). Any Ohio increase on tobacco is only going to further black-market activity and loss of legitimate Ohio retailer sales along the border. Border sales are a very REAL issue especially when you consider that there are 1,369 retailers within 10 miles of Ohio's border that will sell cheaper cigarettes. If you don't represent a border, consider that purchasing tobacco over the internet is a very real thing and something that goes unregulated, untaxed (unless the consumer claims it).

When weighing all the options, please consider the chilling effect these tax increases will have on your local grocery stores, convenience stores and other retailers that employ your constituents. My members support countless local school, church, food pantry and community projects while working hard to deliver a safe, reliable source of food to your kitchen tables. It is this very industry that survives on a high-volume, low-profit business model while facing rising costs and increasing challenges to stay in operation. **I strongly request that the members of this committee not recommend any tobacco tax increases.**

Thank you for your time and consideration.