

Good morning, Chairman Roemer, Vice Chair Thomas, Ranking Member Troy, and members of the House Ways and Means Committee. Thank you for allowing me to testify on the tobacco/vapor tax increase provisions in the State Budget bill, HB 96.

My name is Jeffrey Erb, and I am the general manager of Main Stops - a chain of 16 convenience stores located in Northwest Ohio. I am also a board member of the Ohio Council of Retail Merchants and current President of the Ohio Energy & Convenience Association (OECA), a proud affiliate of the Ohio Council of Retail Merchants.

We are truly a small family-owned business with our headquarters in Williams County, OH, specifically in the City of Bryan. We employ over 200 hardworking Ohioans and have been in business since 1968. For those who might not know, Williams County is bordered by Indiana and the state where that team up North resides. So, as you can see, your decision on excise taxes has a compounding effect on my stores.

This is not the first time I have spoken against a proposed increase on the excise tax on tobacco, nicotine products, and cigarettes. In fact, it was back in 2017 when the legislature was having a similar debate. It was true then as it is now, our customers who purchase these products are some of our best and most loyal. If the state raises taxes on these products, many will flee the state for a cheaper price or buy online or even turn to the illicit market – and these customers buy more than just tobacco. They also buy Ohio Lottery tickets, snacks, and drinks and pay sales tax on everyday items plus excise tax on fuel. They are sending a lot of their hard-earned money to the state, and these are the folks who work 40+ hours a week for a paycheck. These are the types of customers that can least afford a tax increase on anything, especially with inflation still impacting working families. In summary, losing sales on these products impacts all of our sales.

Last time we had this debate, we warned that higher taxes on tobacco, cigarettes, and vapor products create more incentives for underground markets and the sale of illegal products. Today, real-world examples show the direct link between large tax increases and the rise of illicit market activity. In New York, with a \$4.35 per pack tax, over 54% of cigarettes are smuggled into the state, according to a report from the [Tax Foundation](#). New York is followed by California (46.7 percent), New Mexico (41.2 percent), Massachusetts (39.7 percent), and Washington (36.8 percent). Again, these states have significantly raised taxes in recent years. The proposed budget has an increase of \$1.60 per pack. That might not sound like much to some, but that would bring the total state excise tax to \$3.10. The current average price per pack in Ohio is \$9.59, and with the proposed tax hike, it'll jump to \$11.19. That's a big leap, and it'll hit folks hard. For my business, the consequences would be significant. Many of our stores are just a short drive from Indiana, where the average per-pack cost is \$8.69, materially lower than what is included in this budget bill. I do not doubt that even our most loyal customers would have no choice but to look across the border with such a stark price difference. My fellow business owners operating close to the borders of Kentucky (avg. price per pack of \$8.63) and West Virginia (\$8.75 per pack) would see similar losses in sales as well. The loss in sales means the state loses money, too. Higher taxes reduce legal sales, offsetting revenue gains. This might mean Ohio sees less money, not more, from the tax hike. I asked this question in 2017 and will do so again: what is the

ceiling on excise taxes for tobacco products? And at what point does this excessive taxation do more harm than good? I think we've reached that crossroads.

We should note that taxes are but one part of this proposal. The as-introduced version contains a litany of new rules, regulations, registry requirements, and, frankly, head-spinning red tape relating to tobacco, vapor, and less harmful alternatives like noncombustible nicotine products. We often hear that Ohio wants to be a great place for business. Thanks to many of you in this room, that is indeed the case. Proposals like this, however, are quite the opposite as they create added costs for businesses and consumers while advancing new cumbersome regulations.

In closing, I want to return to the danger of the illicit market. In our stores, we take the sales of tobacco and nicotine products very seriously. We require an ID 100% of the time without exceptions. If you cannot present a valid ID at our register, we will not finalize the sale and there is no manual override. Criminals selling stolen, counterfeit products do not care about verifying someone's age or if the product they're peddling is legal. Reputable retailers care about their customers and can be held accountable. Let's not empower criminals by making a product so expensive that consumers are forced to consider the illicit market.

As you weigh these important issues, please think of my customers and fellow retailers who choose to live and do business in Ohio. We know our state is a wonderful place to work and raise our families, and we want to keep it that way. Please do not place an unfair burden on everyday working folks who buy these products, and remember the many other retailers across Ohio whose businesses will suffer should these drastic proposals go into effect. Thank you again for this opportunity to testify, and I would be happy to answer any questions you may have.