



OHIO WHOLESALE MARKETERS ASSOCIATION

88 East Broad Street, Suite 1240

Columbus, Ohio 43215

Phone: 614.224.3435

Written Statement: State Budget (Sub.HB96) Senate Finance Committee

May 29, 2025

Chairman Cirino, Vice Chair Chavez, Ranking Member Hicks-Hudson and members of the Senate Finance Committee, thank you for the opportunity to provide a written statement regarding my membership's perspectives on tax increases and Sub.HB96, the state operating budget. The Ohio Wholesale Marketers Association's core membership is wholesalers who supply food, nonalcoholic beverages, tobacco category products [ie cigarettes, other tobacco, nicotine, regulated vapor products] and general merchandise to convenience stores and neighborhood markets.

As you know, HB96 as introduced included significant tobacco category tax increases. The introduced bill also changed the wholesaler cigarette stamping compensation and eliminated their compensation for collecting and remitting other tobacco product taxes.

- OWMA appreciates that the House removed the tax increases [cigarette/other tobacco/vapor/nicotine] and reinstated back to current law the wholesaler cigarette stamping and the other tobacco product tax collector compensation. We request that the Senate maintain the House action for these issues.
- OWMA requests that the Senate remove House added language authorizing Summit County to tax cigarettes.

Excise Taxes: Associated Costs for Wholesalers

Cigarette excise taxes, whether state or county, are paid at the wholesale level, not in stores at the register. The same applies to state excise taxes on all other products in the tobacco category. Wholesalers do not recoup the excise taxes they paid until the retailer, who often has payment terms, pays for the products. Consequently, state or county excise tax increases have an immediate and direct cost impact for wholesalers.

Specific to cigarettes, wholesalers are required to buy [state and county] cigarette excise tax stamps from the state and affix them to each individual pack before they can be delivered to retailers.

- At today's state excise tax rate of \$1.60/pack, one roll of tax stamps which stamps 30,000 packs [1,500 cartons] costs \$48,000 (minus the wholesaler stamping compensation that equates to \$864).
- Small wholesalers use 5 to 12 rolls per month, and the largest will use 250+ rolls of tax stamps.
- Wholesalers who sell to retailers in Cuyahoga County also pay the 74.5cents/pack county tax in addition to the state excise tax when they buy the stamps that are required specifically for cigarettes sold to retailers in the county.

Additional cost issues related to being a cigarette stamping wholesaler include, but are not limited to:

- Financing/interest expenses: cost of financing inventory of stamps and financing accounts receivable as it relates to the stamp (excise tax) portion of the cigarette sale to the retailer.
- Shipping charges [ie UPS/FedEx] to have the tax stamps sent from the state to the wholesaler facility;
- Insurance on the stamps while in transit from state to the warehouse, and while they are in the warehouse;
- Cigarette stamping machine: machine cost (depreciated), maintenance, operating supplies needed for the machine; insurance on machine; a new stamping machine today is \$100,000+, a cost that is paid by the wholesaler, not by the state that benefits from the wholesaler's equipment purchase and other related stamping expenses.
- Warehouse costs allocated to the stamping area (utilities/electric to run the machines, cost of space allocated for stamping machine, facility insurance, security features);
- Employee labor costs (wages, fica, benefits) for personnel who run the stamping process and personnel who manage detailed monthly cigarette tax return/schedule filings.

Wholesalers are providing a valuable tax service for the state at a significant cost to their own businesses. The current 1.8% stamping compensation they receive does not fully cover their actual stamping costs, some of which also increase annually (ie financing/interest expenses, insurance, stamping equipment maintenance, new or upgraded stamping equipment if needed, employee labor costs).

OWMA's members appreciate that the House returned the cigarette stamping compensation to current law and requests that the Senate maintain the House action for this issue.

As with cigarettes, wholesalers are the frontend taxpayers and tax agents for the other tobacco products tax, and any increase in the tax rate increases their costs.

- If the retailer doesn't pay for the tobacco products the wholesaler is still obligated to remit the tax to the state.
- Wholesalers incur costs that include financing accounts receivable as it relates to the tax of the other tobacco product sale to retailers, insurance on the tax as part of the product in inventory and costs associated with monthly tax report filings, including programming updates for electronic filing.

OWMA's members appreciate that the House returned the other tobacco products tax collector compensation to current law and requests that the Senate maintain the House action for this issue.

County Taxing Authority

Just like there is a well-documented correlation between high state excise tax rates and cross border sales, there is also a correlation between county excise taxes and sales shifting to neighboring counties. The lost sales go beyond cigarettes and include any of the other products the consumer would typically buy at the same time. Retailers in Cuyahoga County know the reality of losing customers, sales across product categories and profits to retailers in neighboring counties. For them, the county excise tax picks winners and losers based on where a store is located.

For wholesalers who sell to retailers in Cuyahoga County (the only county authorized to tax cigarettes), the costs to stamp cigarettes are compounded by the County tax rate. They also have additional costs associated with managing inventory stamping and changing product flow in the warehouse to accommodate the county taxing jurisdiction. Not all wholesalers sell into the County because not all wholesalers want to or are able to incur the added county excise tax stamp cost and logistic changes.

Adding authorizing language for *another* county to tax cigarettes again compounds cost and logistic issues for wholesalers who already deal with Cuyahoga County and also sell into the newly authorized county. It also brings these issues to the forefront for any other wholesalers who also sell into that county. There is no good outcome for the wholesaler with a high concentration of retail accounts in counties with local excise taxes. They incur higher costs for excise tax stamps, insurance, operational reconfigurations and administrative changes or they stop supplying retailers in the counties with local taxes.

It is worth noting that local excise taxes also impact the state. An analysis just a few years ago showed that Ohio could lose more than \$30 million annually in state excise tax receipts to cross border and other untaxed sources if cigarette taxing authority expands to other counties. At the same time the Ohio Department of Taxation has costs to administer and enforce the taxes across multiple jurisdictions.

OWMA's members have consistently opposed county cigarette tax increases and also oppose expanding cigarette taxing authority to other counties. We request that the Senate remove House added language authorizing Summit County to tax cigarettes.

Chairman Cirino and members of the committee, thank you for your consideration and as always, please do not hesitate to contact me if you have any questions.

Respectfully,



Beth Wymer
Executive Director
Ohio Wholesale Marketers Association
beth.wymer@ohiowholesalers.org
Office 614.224.3434
Cell 614.370.2384