



GREAT LAKES

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**House Finance Committee
Opponent Testimony by Derek Cahill, Circle K, on Proposed Tax Increase**

Chairman Smith and members of the House Finance Committee, my name is Derek Cahill. I am the category manager for cigarettes and tobacco for Circle K Great Lakes Division. I am appearing before you today to express Circle K's opposition to the tobacco tax provisions contained in HB 64.

Circle K currently operates 289 stores and employs almost 4,000 employees in the state of Ohio including our division headquarters in Akron, Ohio. Tobacco products, including cigarettes, are the number one source of our merchandise revenue.

As category manager for cigarettes and tobacco, I oversee all elements of products containing tobacco in a territory comprised of eleven states. This gives me a unique perspective to observe and understand the various tax strategies applied across much of the United States.

Circle K is opposed to the \$1.00 per pack cigarette tax increase as well as the increase from 17% to 60% of wholesale price tobacco tax increase contained in HB 64. The bill also includes language that would make Ohio only the third state to tax e-cigarettes at any level and the only state where e-cigarettes would be taxed at the same level as other tobacco products. It should also be noted that the proposed e-cigarette tax does not apply simply to the nicotine contents but to the majority of the product which is the packaging and the battery. In essence, HB 64 will tax a battery that happens to be for an e-cigarette at 60% while your typical AA battery will continue to be untaxed.

Our concerns fall into two primary categories. The first is the health of our customers. We do not believe that the tax serves the public health. There is reason to believe that there is harm reduction for people who reduce their cigarette consumption via the use of e-cigarettes. The FDA is reviewing the long term harm reduction of a product, snus, which we sell that HB 64 would tax at a rate greater than the current cigarette tax. Tax disadvantaging healthier options discourages use by customers.

The second issue is that our store sales are directly linked to our payroll hours. If we sell fewer products to fewer customers, we need fewer employees and fewer hours to service those customers. For comparison, Kentucky has a \$0.70 per pack lower cigarette tax than Ohio and our cigarette sales are 100% higher per store primarily because the stores are situated in northern Kentucky and Ohioans cross the border to save money. The reverse is also true; Pennsylvania and Michigan have a higher tax and sales are 13-15% lower than Ohio. Our largest volume store in Ohio sits on the Michigan state line. Our employees depend on their jobs, their hours and their paychecks. We do not want to see a reduction in sales result in a loss of job opportunity for them.

On behalf of Circle K, we urge this committee to vote no on HB 64 to protect our customers, our employees and your constituents.

Sincerely,

Derek Cahill
Category Manager