



Ohio Petroleum Marketers &
Convenience Store Association

BEFORE THE HOUSE FINANCE COMMITTEE

ON HOUSE BILL NO. 64

TESTIMONY OF THE OHIO PETROLEUM MARKETERS & CONVENIENCE STORE ASSOCIATION

Thursday, March 26, 2015

Dear Chairman Smith and Members of the Finance Committee:

Thank you for the opportunity to provide my perspective on the tax and policy changes proposed in House Bill 64. My name is Pat Gilligan and I am Chief Executive Officer of the Cincinnati-based Gilligan Oil Company. Gilligan Oil is southwest Ohio's largest distributor of Shell branded gasoline. We own or operate 26 convenience stores and 42 quick-serve branded restaurants (like Popeyes, Dunkin' Donuts, and Subway) in Ohio. In addition to our retail locations, we operate Gilligan Oil Services (our Distribution and Transportation Division), through which we wholesale and deliver fuel to our own retail locations and those owned by others. In total, we employ over 900 Ohio workers.

I also serve as President of the Board for the Ohio Petroleum Marketers & Convenience Store Association (OPMCA). OPMCA is the leading Ohio trade association proudly representing more than 500 independent small businesses in the petroleum and convenience industry. Our members own and operate an overwhelming majority of Ohio's 6,240 convenience stores and employ more than 93,600 Ohioans. We purchase gasoline from large oil company suppliers and we distribute that fuel to the motoring public. OPMCA members on the wholesale side of the industry employ thousands more in commercial fueling facilities, transportation divisions, heating oil sales, and home offices. In all these ways, OPMCA helps drive Ohio forward.

Like Gilligan Oil, OPMCA members sell clean, dependable convenience in the form of fuel and food for hungry customers on the go and commuters in need. We are local employers; we are neighbors; we sponsor little league teams. When you see a convenience store with a Shell or Exxon or Sunoco or BP brand of fuel; that's me; that's us-- that's the OPMCA.

OPMCA is deeply concerned about several tax provisions in HB 64, as well as the general trajectory of the tax policy contained in that bill. The administration's proposals shift a significant proportion of the overall state tax burden from individuals to businesses. To be sure, the estimated dollar cost of the proposed personal income tax rate reduction is immense. Correspondingly, tax dollars necessary to pay

for this personal income tax rate reduction are immense. And, particularly critical to me, those proposed tax increases are imposed most directly and most heavily on Ohio businesses.

For example, the CAT rate is proposed to increase by a whopping 23%. The CAT is borne exclusively by the business community. In addition, the state sales tax rate is proposed to increase by over 8%... again to help pay for the personal income tax rate reduction. A significant portion of the sales tax rate increase will be paid by Ohio businesses on purchases they consume in running their operations like computers and software, like bulldozers and backhoes, like underground fuel tanks and dispensers. A single fuel tank wagon truck can cost over \$200,000. That's nearly \$15,000 in sale tax. Similarly, the proposed sales tax base broadening will have a disproportionate impact on business as legal, accounting, consulting, management, and advertising services are "realigned" from nontaxable to taxable. These business tax increases, by simple math, far outweigh the CAT exclusion offered in HB 64 to small business and the pass through entity tax relief passed by the previous General Assembly.

As a whole, OPMCA believes the proposed tax increases in HB 64 will negatively affect the competitiveness of Ohio companies and the personal income tax rate reduction will not promote business growth. The result of these proposed tax increases will be reflected in business contraction, not job creation.

In particular, I would like to highlight how the cigarette tax increase will hurt Ohio and its retailers, specifically those retailers like me located on the state border. Consumers are driven by low prices. HB 64 will cause Ohio to have the highest cigarette tax rate of all of our bordering states. For example, Kentucky's tax on cigarettes is \$0.60 per pack. Under the administration's proposal, the Ohio tax would increase \$1.00 per pack to \$2.25. Consumers will do the math and will simply drive across the border and purchase their tobacco products out of state. As a retailer in the Cincinnati area, I can tell you first-hand that Ohio's border states already have a significant competitive advantage over Ohio retailers today. An increase in the cigarette excise tax will make the disparity worse and serve as further incentive for consumers to spend their money across the state line.

Using Kentucky as the comparison, an Ohio resident can drive to Kentucky from Cincinnati and purchase a 10-pack carton of cigarettes for a price with \$16.50 LESS in tobacco tax. If that Ohio resident has friends, he likely will pick up cartons for them too. He may make that trip each week for 20 cartons. That's a tax saving of \$330 per trip in state tobacco tax. At state-minimum mark up prices, I currently make about \$5.50 per carton. If I lose just that business (20 cartons per week), I lose \$6,000 in gross profit per year and Ohio loses about \$23,400 in lost tobacco tax, plus another \$4,215 in lost sales tax. I can assure you, if the tobacco tax is increased by \$1.00 per pack, I will lose business equating to hundreds of cartons per week, not just 20. I also will lose the soda, beer, chips, and gasoline sales that accompany those store stops.

Obviously, this is a huge problem for me, OPMCA members, and the state. Fewer sales equates to less state revenue and less money for our businesses to reinvest in new jobs or to expand. Indeed, if I do expand, HB 64 would incentivize my expansion in Kentucky, not Ohio.

Mr. Chairman and members of the committee, as you deliberate the best course of action for the state, please consider the negative impact and severe ramifications that this budget proposal will have for Ohio's petroleum and convenience store industry. This budget proposal hurts Ohio businesses. It will not promote business expansion or job growth. Thank you for your time and consideration. I welcome any questions you may have.

Sincerely,

Pat Gilligan
Chief Executive Officer, Gilligan Oil
President of the Board, OPMCA