

Speedway LLC
500 Speedway Drive
Enon, OH 45323
Telephone 937-864-3000

The Honorable Committee Chair Smith, Vice Chair Ryan, Ranking Member Cera and members of the House Finance Committee, my name is Russell Graves. As Category Manager/Cigarettes-Tobacco for Speedway LLC, I appear before you in opposition to the tobacco tax provisions contained in the state budget (HB 49) as well as the proposed increase in the tax on beer and wine. Speedway testified in the House Ways and Means committee last month and we offer this testimony as a supplement.

- Speedway currently operates 488 Convenience stores across the state of Ohio that offer fuel as well as beverages, candy, sundry items, tobacco products and many other convenience items. In 2016, we employed 5,900 associates at our 488 retail stores in Ohio and approximately 1,100 at our corporate headquarters in Enon, Ohio with a total Ohio payroll of \$210.2MM.
- Tobacco is an integral part of our business and we stock and offer such products because there is consumer demand for them. The tobacco sector accounted for roughly 46% or \$522MM of Speedway's overall merchandise revenue in Ohio for 2016, therefore it is a critically important part of our business.
- Speedway is also one of the top beer and wine retailers in Ohio and this category is equally as important to us as tobacco. The proposed 70% tax increase amounts to roughly 6-cents on a 6-pack of beer and 4 to 5 cents on a bottle of wine. While this may sound insignificant an increase of this magnitude would put us out of line with other nearby states.
- While the Administration has chosen to ignore or downplay the impact of cross border sales as a result of increased taxation, I can say without hesitation the cross border effect is real. For example, you may have heard that the city of Philadelphia recently instituted a significant tax on soft drinks. As a result sales of fountain drinks plummeted at stores in Philadelphia and spiked at stores just over the border. We already see such an effect based upon the current cigarette excise taxes in Ohio. Our store in Covington, Kentucky, just over the Ohio River from Cincinnati, has one of the highest cigarette sales volumes (top 5) in our entire chain of over 2700 stores due to customers flocking there to buy tobacco products and beer to evade the higher taxes on such products in Ohio. See chart below on 70% increase.
- We request you to investigate the effects of such tax increases by calling counterparts in other states who have enacted similar price increases. The state of Illinois increased its state cigarette excise tax by \$1 per pack in 2012. Speedway has over 100 stores in Illinois and we experienced a decline of over 20% in unit cigarette pack sales. Illinois anticipated increased tax revenue did not materialize. Publicly, officials in Illinois stated, that they had negative revenue after one year.
- Speedway is a large chain and has stores in every state bordering Ohio. You may ask why cross border sales is an issue. We are an Ohio company and want to keep sales here in the state to support our stores and the employees who work here. Staffing is tied to store sales so when there is a drop in sales it can impact our store associates working here in Ohio.

On behalf of Speedway, an Ohio company, we prefer to see state tax policies that encourage investment and growth here in our home state. Thank you for the opportunity to offer testimony and I will try to answer any questions you may have.