

To: Members of the Senate Finance Committee

From: Maan Said – Owner of Governor’s Cigar Shop and La Chaveta Cigar Lounge

Dear Members, my name is Maan Said, I am the owner of two small businesses serving Premium Cigar consumers in the Columbus market. Two years ago, I purchased my first location which had been struggling financially under prior ownership, facing serious competition from online sellers with the ability to directly market to our consumers locally, without impunity or any barriers to entry in Ohio. I am proud of being able to remain in business, keeping people employed and providing our patrons with a place to gather and interact. My shops provide a unique environment for a community of cigar aficionados but we are dependent on our ability to sell cigars at fair prices.

#### My position on OTP Tax in Ohio

- I am opposed to any increase of the OTP Tax for the following reasons:
  - OTP tax, currently at 17% already places us at a price disadvantage to the out of state online retailers. Our sales price for cigars is nearly double of what an online retailer sells the same cigars for.
  - OTP is paid by retailers within 30 days of actual purchase of cigars. However, those cigars are typically sold over a 120-180 days, therefore, impacting our cash flow significantly by effectively paying a tax prior to selling the product. If the OTP tax were to increase, this would further exacerbate the problem.

#### Preferred Approach

- Implement an OTP tax cap of 40 cents per premium cigar.
  - Leads to greater in-state cigar sales
  - Leads to greater OTP revenue for the State of Ohio
  - Leads to greater Sales Tax revenue for the State of Ohio
  - Leads to fairer competition for Ohio small businesses

### Premium Cigars vs Other OTP products

- Premium Cigars are sold by specialized retailers as opposed to other OTP products sold at convenience stores and other multi product outlets.
- Premium cigar stores typically rely on cigar sales for 95% of its revenues while other OTP products which are sold elsewhere represent a small fraction of revenues for those outlets.
- Premium cigar stores are owned and managed by small business owners and not large corporations where other OTP products may be found.
- Premium cigars are not a mass market product compared to other products in the OTP category, every loss of sale to the premium cigar shop is significant.

### Conclusion

A \$0.40 tax cap on premium cigars will help level the playing field with online retailers and will achieve several positive objectives for the State of Ohio

- Greater revenue to the State of Ohio through more in State sales
- Greater sales tax revenue through increased sales
- Keeping businesses and jobs in the State of Ohio

Thank you for taking the time to consider this matter on behalf of myself and all premium cigar shops in Ohio. Please feel free to contact me if you have any questions.

Maan Said

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