



STAND UP FOR OHIO

Say "NO" to new TAXES on tobacco



STAND UP FOR OHIO'S...

Poor Minorities
Retailers Wholesalers
Economy

HERE'S WHY YOU SHOULD STAND UP:

"THERE IS NO SUCH THING AS A GOOD TAX" – Winston Churchill

A tax on tobacco is a tax on Ohioans. Ohio businesses and citizens are struggling to recover from one the most difficult economic downturns in history. The majority of Ohioans, business leaders, and government officials on both sides of the aisle want our state to be economically healthy and vital. Piling on any new tax burden will crush the fragile recovery. Taxes are not the answer. Stand up for Ohio by saying no to new taxes on tobacco.

TOBACCO TAXES HURT THE POOR & MINORITIES

Any tobacco tax increase is brutally-regressive. Lower income consumers are more likely to be smokers. Any proposed cigarette tax increase would be paid by less than one quarter of Ohio's adult population, and OTP increased would be paid by just over 4.6% of Ohio's adults who use smokeless tobacco. Almost 46 percent of white smokers have annual median household income less than \$25,000 compared to almost 70 percent of African American smokers and almost 53 percent of Hispanic smokers.

This regressive nature has been proven over and over at state and national levels. The National Taxpayers Union, a nonprofit, nonpartisan citizen organization, has voiced its opposition to state cigarette tax increases throughout the country. In Ohio, an economic study measuring the impact of raising the state's tobacco tax shows that an increase would adversely affect the working poor. Any proposed tax hike will be paid by those who are least able to pay.

Unfortunately, reports such as those from the Institute of Taxation and Economic Policy suggest that, for example, a seven (7) percent across-the-board rate cut to the state income tax will not provide the intended relief for low-income Ohioans. The analysis said the average cut for someone who makes \$19,000 per year or less would only provide an additional two (2) dollars annually.

TOBACCO TAXES HARM OHIO RETAILERS AND WHOLESALERS

An increase also puts Ohio retailers and the entire state at a competitive disadvantage. Any tobacco increase would have a devastating effect on the profitability of Ohio's wholesalers,

DID YOU KNOW...

- Ohio smokers and OTP users paid over \$1 BILLION in tobacco related taxes and applicable sales tax in FY2013*. (*Excludes OTP sales tax)
- A cigarette excise tax increase of any amount would be paid by less than one quarter of Ohio's adult population, and an OTP tax would be paid by just over 4.6% of Ohio's adults who use smokeless tobacco.
- Ohio smokers pay more cigarette-related taxes than Ohio personal income taxes.
- Almost 50% of Ohio smokers and more than 40% of other tobacco product users have a median annual household income of less than \$25,000. This is particularly the case for African American and Hispanic smokers.
- The Institute of Taxation and Economic Policy suggests that a seven (7) percent across-the-board rate cut to the state income tax for someone who makes \$19,000 per year or less would only provide an additional \$2 annually.
- Gross profits lost to Ohio retailers and wholesalers would be about \$40 million (+25 cents) and \$80 million (+50 cents) if there was a cigarette tax hike.
- It is estimated that nearly 475 Ohio retailer and wholesaler jobs (+25 cents) and 950 Ohio retailer and wholesaler jobs (+50 cents) could be lost due to a tax increase (based on estimated gross profit losses).

It is estimated that 7,500 Ohio retailer and wholesaler jobs are supported by in-state tobacco sales.

Any tax increase will negatively impact jobs at Ohio's independent grocers, who employ 44,370 Ohioans.

*Ohio smokers and OTP users paid over \$1 BILLION in tobacco related taxes and applicable sales tax in FY2013.**
 *Excludes OTP sales tax

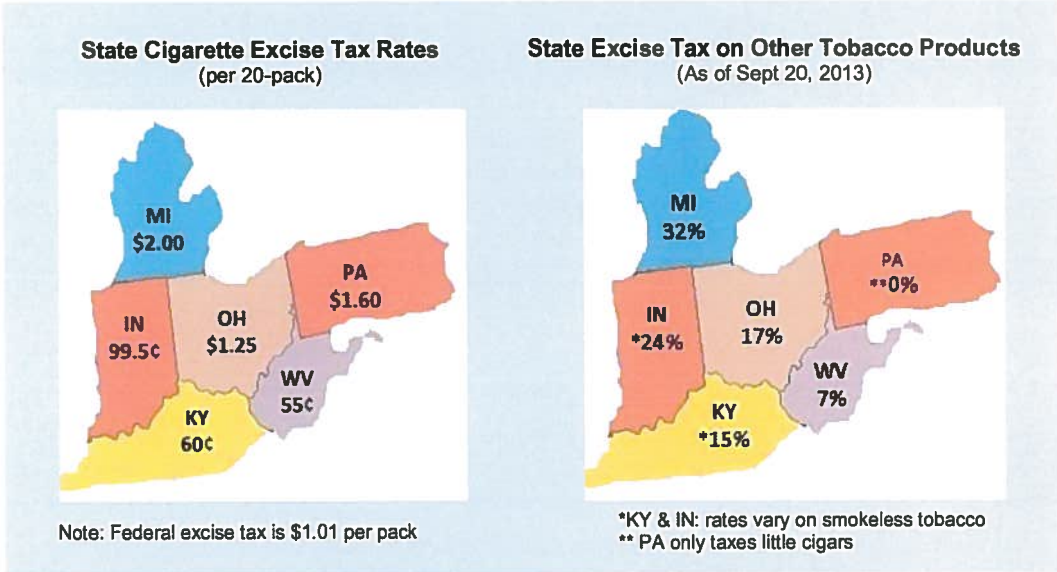
SOURCES

- ¹ Centers for Disease Control and Prevention (CDC). *Behavioral Risk Factor Surveillance System Survey Data*. Atlanta, Georgia: U.S. Department of Health and Human Services, 2012
- ² Institute of Taxation and Economic Policy; www.itep.org/pdf/oh.pdf
- ³ National Taxpayers Union, www.ntu.org
- ⁴ Keip Government Solutions, calculation, using Tax Burden and Ohio Department of Taxation tax tables
- ⁵ Orzechowski, W. & Walker, R.C., *The Tax Burden on Tobacco*, Vol. 48, 2013, Arlington, VA
- ⁶ Orzechowski, W., Walker, R.C., February, 2014 Arlington, VA 2012
- ⁷ Ohio Grocers Association, www.ohiogrocers.org

grocers, and convenience store operators. Tobacco sales are important to Ohio retailers. Ohio stores sold 631 million packs of cigarettes in 2013 totaling more than \$3.3 billion in revenue. Customers also purchase other items while they are there, so the state loses significant tax revenue, and Ohio retailers lose sales.

As tax increases push prices higher, smokers and other tobacco product consumers will increasingly use other methods to get their tobacco without paying the higher Ohio taxes such as the Internet, military bases, and the black market. In addition, border states such as Indiana, West Virginia and Kentucky have lower excise taxes which give them a significant competitive advantage over Ohio's retailers. Moreover, Pennsylvania remains TAX-FREE on Other Tobacco Products. Any Ohio increase on OTP is only going to further black market activity and the loss of legitimate tax paid on Ohio wholesaler and retailer sales.

Retailers and wholesalers in Ohio operate with razor-thin margins. They are fighting for survival dealing with the uncertain economy, rising health care costs, and other mandates. Even a modest tobacco tax increase could be the final blow that causes many of these small businesses to close its doors.



AN INCREASED TAX ON TOBACCO WILL NOT YIELD DESIRED RESULTS

Contrary to conventional wisdom, a tax increase on cigarettes does not result inevitably in a revenue gain. Tobacco is an unreliable and declining source of revenue for the state. Statewide smoking bans, a national trend to stop smoking, product substitution, smuggling, and cross border sales are major factors making it difficult to accurately project cigarette excise tax revenues. In addition, if smoking cessation efforts continue to prove successful, there will likely be less pack sales equaling fewer dollars for the state coffers. Meanwhile, President Obama's current proposed federal budget includes a 94 cent per pack increase that will nearly double the existing federal tax on cigarettes. If this is enacted, Ohio's wholesalers and retailers will most certainly recognize a domino effect resulting in lowering pack sales, less jobs and less state tax dollars.

STAND UP FOR OHIO
 Say **NO** to new **TAXES** on tobacco.

Ohio Council for Reasonable Business Policy

CONTACT:
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- Associated Food and Petroleum Dealers
- Ohio Petroleum Marketers & Convenience Store Association
- Ohio Association of Convenience Stores
- Ohio Wholesale Marketers Association
- Ohio Bowling Centers Association of Ohio
- General Cigar
- Ohio Coin Machine Association
- Lorillard Tobacco Company
- Ohio Council of Retail Merchants
- Reynolds American
- Ohio Grocers Association
- Swedish Match
- Ohio Licensed Beverage Association
- Swisher International



JUST THE FACTS

THE DAMAGING IMPACT OF A TOBACCO TAX INCREASE IN OHIO

THE GOOD

Tobacco sales stimulate other retail sales & jobs in Ohio

- Ohio smokers and OTP users paid over \$1 BILLION in tobacco-related taxes and applicable sales tax in FY2013*. (*Excludes OTP sales tax)
- It is estimated that 7,500 Ohio retailer and wholesaler jobs are supported by in-state tobacco sales.
- Any tax increase will negatively impact jobs at Ohio's independent grocers, who employ 44,370 Ohioans.
- The average C-store sells about \$700,000 worth of cigarettes and other tobacco products each year, accounting for 38% of in-store sales. Nearly 66% of all tobacco sales occur in c-stores.

SOURCES

- ¹ Centers for Disease Control and Prevention (CDC). *Behavioral Risk Factor Surveillance System Survey Data*. Atlanta, Georgia: U.S. Department of Health and Human Services, 2012
- ² Orzechowski, W, Walker RC, *The Tax Burden on Tobacco*, Vol. 48, 2013 Arlington, VA
- ³ Orzechowski W, Walker RC. February 2014 Arlington, VA 2012
- ⁴ Keip Government Solutions, calculation, using Tax Burden and Ohio Department of Taxation tax tables
- ⁵ Ohio Grocers Association, www.ohiogrocers.org
- ⁶ Institute of Taxation and Economic Policy
- ⁷ Heartland Institute, December 2008, www.heartland.org

THE BAD

Additional taxes on tobacco would harm Ohio's already fragile economy and put state retailers and wholesalers at a competitive disadvantage.

- Tobacco tax increases would damage the more than 3,000 mom and pop convenience store owners and more than 70 wholesalers located in Ohio who would see a loss in sales, profits and jobs.
- Ohio sundry (tie-in) product sales, or products normally bought in conjunction with tobacco, would fall by about \$50 million (+25 cents) and \$95 million (+50 cents) with a tax increase on cigarettes.
- Ohio will lose both excise tax and sales tax because consumers can simply cross borders to lower taxed states or buy untaxed product that makes its way into Ohio through the black market. Pennsylvania has no excise tax on Other Tobacco Products.
- Ohio grocers could lose \$30.00 average grocery bag per smoker per week.
- Gross profits lost to Ohio retailers and wholesalers would be about \$40 million (+25 cents) and \$80 million (+50 cents) due to the decline of cigarette and sundry product sales.
- It is estimated that nearly 475 Ohio retailer and wholesaler jobs (+25 cents) and 950 Ohio retailer and wholesaler jobs (+50 cents) could be lost due to a cigarette tax increase (based on estimated gross profit losses).
- A potential tax increase on Other Tobacco Products (OTP) would likely result in gross profits lost to Ohio retailers and wholesalers, estimated at \$29 million.

THE UGLY

A tax on tobacco unfairly targets Ohio's poor and minorities.

- State cigarette and other tobacco product excise taxes are regressive - paid by those least able to pay.
- Forty-nine (49) percent of Ohio smokers, and 41% of Ohio OTP users have annual household income less than \$25,000.
- A cigarette excise tax increase of any amount would be paid by less than one quarter of Ohio's adult population, and an OTP tax increase would be paid by just over 4.6% of Ohio's adults who use smokeless tobacco.
- Ohio smokers pay more cigarette-related taxes than Ohio personal income taxes.
- If a cigarette or OTP tax increases are used to help fund an income tax cut, smokers and OTP users still lose. A recent analysis says a 7% cut to the state income tax would provide only \$2 annually to someone making \$19,000 per year or less.
- Almost 46% of white smokers have annual median household income less than \$25,000 compared to almost 70% of African American smokers and almost 53% of Hispanic smokers.

THE REALITY

Tobacco taxes don't add up. They are an unstable, declining revenue source.

- Tobacco is an unreliable and declining source of revenue for the state.
- Statewide smoking bans, a national trend to stop smoking, product substitution, smuggling, and cross border sales are the major factors in making it difficult to accurately project cigarette excise tax revenues.
- New Jersey became the first state to see an actual reduction in cigarette tax revenues in the same year the tax rate increased. In fiscal year 2007, New Jersey raised the cigarette tax rate but the cigarette tax raised \$22 million less than the previous year.

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