



STAND UP FOR OHIO

Say "NO" to new TAXES on tobacco

STAND UP FOR OHIO'S...

- ✓ RETAILERS
- ✓ WHOLESALERS
- ✓ WORKERS
- ✓ POOR
- ✓ MINORITIES
- ✓ ECONOMY

DID YOU KNOW...

- Ohio smokers and OTP users paid over \$1 BILLION in tobacco related taxes and applicable sales tax in FY2014*. (*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% of Ohio's adults who use smokeless tobacco.
- Almost 46% of Ohio smokers and more than 30% 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 those making less than \$20,000 would see an income tax savings of just \$16 under the package.
- A pack a day smoker will pay an additional \$387/year in cigarette and related sales tax, which far exceeds potential income tax savings.
- Gross profits lost to Ohio retailers and wholesalers are expected to be \$209 million due to the decline of cigarette, other tobacco products, and sundry product sales.
- It is estimated that nearly 1,650 Ohio retailer and wholesaler jobs could be lost due to the cigarette tax increases, when fully implemented (based on estimated gross profit losses).

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 an OTP increase would be paid by just over 4 percent of Ohio's adults who use smokeless tobacco. Forty-two (42) percent of white smokers have annual median household income less than \$25,000 compared to 63 percent of African American smokers and 64 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.

The Institute of Taxation and Economic Policy suggests that another cut to the state income tax will not provide the intended relief for low-income Ohioans. The analysis said the average income tax cut for someone who makes less than \$20,000 per year would be only \$16.

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,

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 FY2014.**

**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

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, and Vol 49, 2014 Arlington, VA

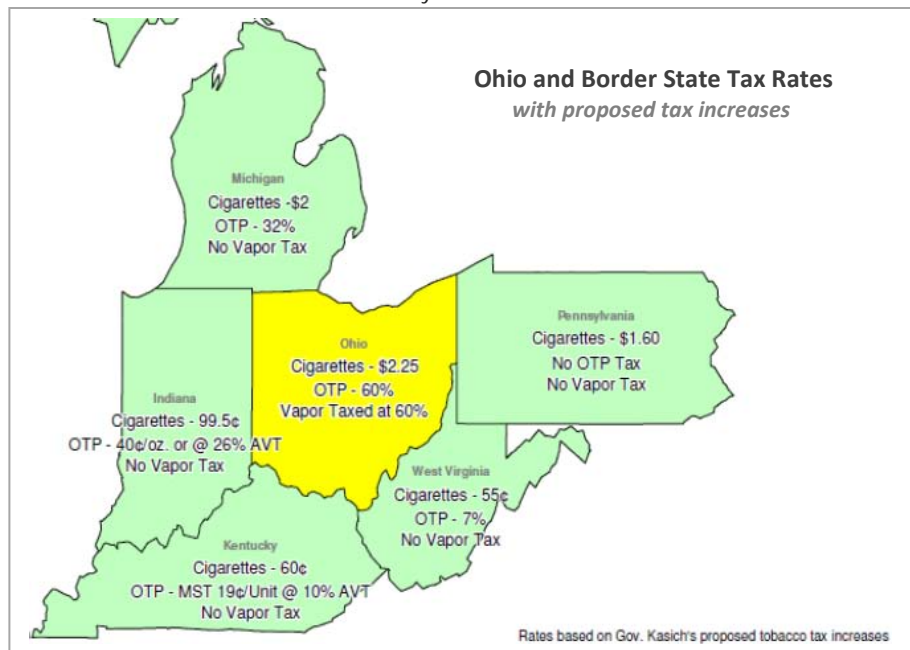
⁶ Orzechowski, W., Walker, R.C., February, 2014 Arlington, VA 2012

⁷ Ohio Grocers Association, www.ohiogrocers.org

grocers, and convenience store operators. Tobacco sales are important to Ohio retailers. Ohio stores sold 617 million packs of cigarettes in 2014 totaling more than \$3.4 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.

- Associated Food and Petroleum Dealers
- Ohio Association of Convenience Stores
- Ohio Coin Machine Association
- Ohio Council of Retail Merchants
- Ohio Grocers Association
- Ohio Licensed Beverage Association
- Ohio Petroleum Marketers & Convenience Store Association

- Ohio Premium Cigar and Pipe Association
- Ohio Vapor Trade Association
- Ohio Wholesale Marketers Association
- General Cigar
- Lorillard Tobacco Company
- Reynolds American
- Swedish Match
- Swisher International



**Ohio Council
for Reasonable
Business Policy**



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 FY2014*. (*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 \$615,000 worth of cigarettes and other tobacco products each year, accounting for just over 36% of in-store sales. Nearly 66% of all tobacco sales occur in c-stores.

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 12,000+ Ohio retailers that sell tobacco, including more than 3,000 mom and pop convenience store owners plus more than 70 wholesalers, who would see a loss in sales, profits and jobs.
- Sundry (tie-in) sales, or products normally bought in conjunction with tobacco products, would fall by \$185 million with the tax increases on cigarettes and other tobacco products.
- 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.
- Retailer and wholesaler gross profits lost are expected to be \$209 million due to the decline in cigarette, other tobacco product and sundry/tie-in product sales.
- It is estimated that nearly 1,650 Ohio retailer and wholesaler jobs could be lost due to the cigarette tax increases (based on estimated gross profit losses).

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.
- Almost 46% of Ohio smokers and more than 30% 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% of Ohio's adults who use smokeless tobacco.
- Forty-two (42) percent of white smokers have annual median household income less than \$25,000 compared to 63% of African American smokers and 64% of Hispanic smokers.
- 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 Ohioans making less than \$20,000 will see an income tax savings of only \$16.
- A pack a day smoker will pay an additional \$387/year in cigarette taxes and related sales tax, which far exceeds potential income tax savings.

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.

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 and 2013

² Orzechowski, W, Walker RC, *The Tax Burden on Tobacco*, Vol. 48, 2013 and Vol. 49, 2014 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 Public Policy

⁷ Heartland Institute; December 2008; www.heartland.org

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