



March 5, 2024

The Honorable Marvin L. Abney, Chair
House Committee on Finance
82 Smith Street,
Providence, RI 02903

RE: Article 6, Section 17

Dear Chair Abney and Committee Members:

Founded in 1937, the Cigar Association of America, Inc. ("CAA") is the voice of the cigar industry in the United States representing the interests of cigar manufacturers, importers, distributors, and major suppliers of the industry. CAA submits this in opposition to HB7225, specifically the effort to include "other tobacco products" in section 44-20-8.2 and corresponding changes in 44-20-13.2.¹

Current section 44-20-8.2 was drafted to control the sale of cigarettes and as such is structured to for licensure follow the three-tier distribution structure attendant to those products. Not all tobacco products are sold in the same manner, however, and as CAA testified when a similar amendment was proposed in 2018, this particularly impacts the sale of premium cigars.

Premium cigars are a unique product category, both in the hand-crafted nature of the product, the primarily older, male purchasers of the product, and in how they are distributed. In most cases premium cigars are manufactured overseas and a US arm of that manufacturer sells the products directly to retailers. There is generally no distributor or wholesaler in a transaction between the manufacturer and the retailer of premium cigars.

Under current law, which ensures taxes are always paid by a licensed, in-state entity, the premium cigar retailer is the first Rhode Island entity to have possession of the product, and therefore is the entity that is required to collect and remit the excise tax to the department of revenue. The Department of Revenue recently confirmed this with a CAA member – that the correct licensed entity was the in-state retailer, and they should be responsible for the tax, and that the out-of-state manufacturer did not need to have a license in the state.

¹ CAA takes no position relating to the inclusion of "electronic nicotine delivery systems" in this bill, it only offers comments on other tobacco products.



The changes in HB7225 completely change this structure- one the premium cigar industry has been reliant on for years. It will upend the licensing and distribution system for these products in Rhode Island. It will be disruptive to local businesses, and will create unnecessary chaos in the marketplace, as well as require a multitude of new taxpayers.

CAA appreciates the committee's consideration of our position that we firmly oppose Article 6, Section 17 of HB7225, and hope the committee will take our concerns into account as it works on the final bill language.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian Fojtik", is written over a faint, light-colored signature line.

Brian Fojtik
Cigar Association of America, Inc.
Senior Vice President of Government Relations

CC: Hon. K. Joseph Shekarchi, Speaker &
Hon. Christopher R. Blazewski, Majority Leader
Rhode Island House of Representatives

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