

February 4, 2026

Rhode Island General Assembly
House Finance Committee
Room 35, State House
Providence, RI 02903

RE:

Article 5, Sections 3, 4, and 8 of House Bill No. 7127 – *An Act Making Appropriations for the Support of the State for the Fiscal Year Ending June 30, 2027* (Cigarette Tax Increase) – NECSEMA Opposes

Article 11, Section 2 of House Bill No. 7127 – *An Act Making Appropriations for the Support of the State for the Fiscal Year Ending June 30, 2027* (Gasoline Tax Reduction) – NECSEMA Supports

Dear Chair Abney and Members of the Finance Committee:

The New England Convenience Store & Energy Marketers Association (NECSEMA) represents convenience store owners and operators, fuel retailers and wholesalers, and the vendors that support them, in Rhode Island and throughout New England. Within the Ocean State, there are more than 550 convenience stores that employ over 8,500 people and remit approximately \$750 million in taxes annually.

NECSEMA respectfully submits the following comments in opposition to the proposed cigarette tax increase and in support of the proposed gasoline tax reduction contained in House Bill No. 7127.

Cigarette Tax Increase

NECSEMA supports a well-regulated marketplace where retailers can thrive. To do so, our businesses need regulatory clarity and a competitive tax environment. In 2024, the General Assembly enacted a \$0.25 per-pack increase in the state's cigarette excise tax, raising the tax from \$4.25 to \$4.50 per pack. This marked the fifth increase in the cigarette excise tax since 2009. This increase, which went into effect on September 1, 2024, had the unintended effect of reducing cigarette tax revenue collected by the state by roughly \$20 million in the first 12 months after implementation. Another, more substantial increase to the tax rate at this time would primarily benefit neighboring states, which experienced increased sales as a result of the previous tax hike.

Despite the fact that this recent increase reduced state revenue, the Governor’s budget, in Article 5, Sections 3, 4, and 8, proposes an additional cigarette excise tax increase of \$0.75 per pack. NECSEMA is strongly opposed to this proposal and respectfully requests that the Committee reject it.

The cigarette excise tax is a regressive tax that disproportionately impacts individuals who can least afford it. It will also harm our retailers, as customers seek lower-cost options through illicit markets or by making a short drive to a more tax-friendly state. When customers go elsewhere to purchase tobacco products, our businesses lose not only the tobacco sale, but also the entire “basket of goods” a customer would otherwise have purchased, including milk, eggs, lottery products, and gasoline. In this scenario, retailers lose revenue, which leads to difficult decisions regarding staffing, hours of operation, and product offerings, while the state ultimately receives less tax revenue because of reduced commercial activity at these stores.

During the last budget cycle, lawmakers rejected a proposed cigarette tax increase but replaced it with an 80 percent tax on nicotine pouches. Since that new tax on nicotine pouches took effect, the volume of pouches sold in-state has declined by 27 percent. More troubling, the illicit market—which NECSEMA warned would emerge—has grown rapidly. Reports on social media indicate¹ that counterfeit pouches are now commonplace at non-chain retailers. These products are of unknown origin and strength and present a real risk to consumers. In short, through aggressive taxation, the state has created an illicit market for nicotine pouches and will ultimately receive less tax revenue than it would have had the tax rate remained unchanged. The same result is likely if the proposed \$0.75 per-pack cigarette tax increase is enacted.

For these reasons, NECSEMA respectfully urges the Committee to reject the proposed cigarette excise tax increase of \$0.75 per pack contained in Article 5, Sections 3, 4, and 8 of House Bill No. 7127.

Gasoline Tax Reduction

Article 11, Section 2 of House Bill No. 7127 proposes reducing the gasoline tax from \$0.40 per gallon to \$0.38 per gallon, reversing the tax increase enacted last year. Fuel is a basic necessity for working families, particularly in a small and densely populated state where many residents commute daily across municipal and state lines. A high gasoline tax functions as a regressive charge, consuming a larger share of income for lower- and middle-income households, shift workers, and rural and suburban residents who have limited access to public transportation.

A reduction in the gasoline tax would provide immediate and visible relief to households already facing rising housing, energy, and food costs. Rhode Island competes directly with nearby states for both consumers and businesses. When fuel prices are higher because of state tax policy, motorists—particularly those living near the border—often purchase fuel elsewhere.

Neighboring states such as Massachusetts and Connecticut are within a short drive for a significant share of Rhode Island residents, and even small differences in fuel taxes can shift

¹ https://www.reddit.com/r/RhodeIsland/comments/1pji8zr/fake_zyns_all_over_providence/

purchasing behavior across state lines. The budget proposal appropriately recognizes this reality, and NECSEMA appreciates the Governor's acknowledgement that the previous tax increase should be reversed.

Accordingly, NECSEMA supports the \$0.02 per-gallon reduction in the gasoline tax proposed in Article 11, Section 2 of House Bill No. 7127 and respectfully urges the Committee to adopt Article 11, Section 2 as drafted.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Peter A. Brennan', with a stylized, flowing script.

Peter A. Brennan, Esq