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Members of the Rhode Island Senate Finance Committee:

On behalf of the Premium Cigar Association and our member network of nearly a dozen Rhode Island small businesses and their customers, we submit this testimony addressing the tax cap provisions in H. 7127. This equates to a dramatic tax increase that would directly (and adversely) impact premium cigar costumers, and the small businesses that serve them.

The Governor's Executive Budget proposes an increase on the premium cigar tax by raising the per-cigar tax cap from \$0.50 to \$1.00 (per the March 11 OMB memorandum.)

If enacted, this proposal would significantly raise the price you must pay for premium cigars. Higher tax cap levels mean higher retail prices, and potentially fewer options on store shelves. Local cigar lounges and tobacconists could be forced to cut back on inventory, reduce hours, or close entirely. It will certainly drive sales to less expensive alternatives such as Connecticut or on-line purchases.

Premium handmade cigars are already a low-volume, adult-only product. This proposal penalizes responsible consumers and threatens small locally owned businesses that serve their communities. Similar tax increases in other states have resulted in lost sales and lower overall tax revenue as purchases move elsewhere.

An independent economic analysis estimates a loss of \$35,498 in tax revenue, as opposed to the OMB estimated gain of \$557,017. Adult cigar patrons are a discerning and cost conscience consumer base. States shouldn't give them a reason to shop elsewhere.

The Rhode Island cigar tax cap policy of .50 has been among the most successful in the nation, with seventeen states following suit at varying levels. This is further personified with pending legislation modeled after Rhode Island in New York and New Jersey.

We thank you for your consideration of this testimony, and please call with questions or need for additional information.

Sincerely,

Glynn Loope

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