



ADVOCATE ■ COMMUNICATE ■ EDUCATE

110 Stark Street, Manchester, NH 03101-1977

T: 603-669-9333 ■ **F:** 603-623-1137

e: kevin@grocers.org

w: www.grocers.org

Testimony for **HB 1596-FN**, *relative to the collection of certain health care program premiums; funding for the university system of New Hampshire; and raising the tobacco tax.*

Presented by: Kevin Daigle, President & CEO – New Hampshire Grocers Association

NHGA Overview: The New Hampshire Grocers Association (NHGA) represents grocery stores, convenience stores, wholesalers, and distributors operating in New Hampshire. These include the small independent mom-and-pop operators as well as the large, chain-operated groups. Annually, the food industry in New Hampshire sells over 12 billion dollars in consumable food and beverage products to consumers through approximately 1,400 stores. Our industry employs over 100,000 full- and part-time employees with annual wages of over \$1 Billion.

NHGA Position: Thank you for the opportunity to present our position in opposition to HB 1596.

A cigarette tax increase will cause serious economic damage in New Hampshire, will not raise tax revenues for the state, and will do little to reduce smoking.

Weakens Economic Growth:

New Hampshire has spent years marketing itself as a consumer friendly, low-cost haven to our neighboring states. New Hampshire currently enjoys an advantage over our neighboring states when it comes to the tax on cigarettes. This advantage is one of the driving factors for over 40% of sales being attributed to cross-border sales. A one-dollar hike would raise New Hampshire's rate to \$2.78, shrinking NH's tax advantage to just 30-cents vs. Vermont; 73-cents versus Massachusetts, and 72-cents versus Maine. This would blunt the cross-border incentive that currently benefits New Hampshire retailers and state revenue. Reducing this advantage not only drives cigarette sales away, but it also drives the sales of additional items away. It's not uncommon that when a customer comes to New Hampshire to purchase cigarettes, they also spend money on other items such as beer/liquor, lottery, groceries, snacks, gas and stops at local restaurants and/or shops. By discouraging the consumer from coming to New Hampshire you not only lose out on those sales and taxes, but the revenue from the other taxes and sales as well (i.e. gas tax, beer tax, lottery sales, rooms and meals taxes).

Will Not Increase Tax Revenue:

When surrounding states raise their cigarette tax we see an increase in sales here in New Hampshire. So, it's not unrealistic to expect a good portion of those sales to leave when that price is no longer advantageous. They will stop coming to New Hampshire to purchase their cigarettes. Tobacco tax increases may provide a temporary revenue bump, but they are not a sustainable long-term revenue solution. Over time, higher taxes reduce consumption faster than they generate new revenue. This reduction in consumption will be led by the loss of cross-border sales, as consumers seek lower or comparable priced products in their home state, online or through illicit markets - this reduction in sales will lead to a negative impact on Tobacco Tax Revenue.

NH Liquor Commission Oversight on Enforcement

Last year, SB 80 passed, giving the NH Liquor Commission enforcement and auditing oversight of tobacco sales. This was done, due to the suspicion of black-market sales eroding potential tax revenue. As stated by the NHLC's Enforcement Division, with SB80 now in place, New Hampshire has seen an uptick in revenue from legal sales with no additional tax increase. Continued enforcement and auditing practices will continue to see an increase in

revenue from legal sales, negating any need for additional tobacco tax increases thus preserving New Hampshire's low-cost, consumer-friendly business environment.

Questionable Effectiveness in Reducing Smoking Rates:

While the intent behind increasing cigarette taxes may be to reduce smoking, evidence suggests that the effectiveness of tax increases diminish over time. Many smokers switch to cheaper, unregulated products, negating the health and revenue goals of the tax policy.

Regressive Financial Impact on Low-Income Individuals

Cigarette taxes disproportionately burden low-income individuals, who are more likely to be smokers. According to studies, cigarette taxes are among the most regressive forms of taxation, as they consume a higher percentage of income from those who can least afford it. This tax hike could further strain the budgets of families already struggling to make ends meet.

In summary, for the reasons provided, we cannot support this bill. We encourage the committee to oppose HB 1596 and to find it Inexpedient to Legislate. Thank you.

Kevin D. Daigle

President & CEO

New Hampshire Grocers Association

110 Stark Street | Manchester, NH 03101

Office: (603) 669-9333 | **Cell:** (603) 315-4163

E-mail: kevin@grocers.org