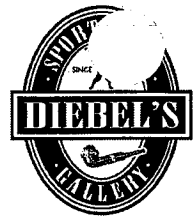


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DIEBEL'S SPORTSMENS GALLERY

4829 W 119TH STREET OVERLAND PARK, KANSAS 66209

(913) 663-0123



Distinguished Committee Members,

My father started our business in 1954. We are in our 56th year. I employ 14 people. I sell cigars. A legal product that is as old as our great country. Premium * Imported * Luxury * All tobacco * Hand-made by Artisans in the Caribbean. There are no chemicals. There are no additives. None of my customers are addicted. My customers are all old enough to fight in Iraq. We do not sell to kids. The great majority of my customers are college educated. My customers smoke cigars for the taste, relaxation and camaraderie of fellow smokers. I am one of the people who collect and pay your OTP tax. None of the proponents yesterday do this. Isn't it ironic that those in glass houses are throwing stones at my business? I also pay sales, withholding and property taxes. How many of the proponents yesterday do? Isn't it ironic? I looked up the origins of the word proponent. It dates to 1580 and is a Latin word meaning: "tax the other guy".

I am a small business. 75% of my business is cigars. Attacking premium cigars is attacking my small business. Cigaraficionado.com did an online consumer survey on February 17, 2009 and asked their readership "If cigar prices rise due to higher taxes, will you buy fewer cigars?" 51% of the respondents said YES.

How will a proposed 300% increase in OTP tax affect my prices?

- o In April 2009 the federal cigar tax increased from 5¢ to 41¢ per cigar. This resulted in the retail prices of cigars increasing from 50¢ to \$1.00. The year following, the total number of cigars I sold decreased 5.2%.
- o Currently the average OTP tax I pay Kansas per cigar is 44¢. A 300% increase takes OTP tax to \$1.32 per cigar. A 300% OTP tax increase results in a 20% increase in my prices. A \$4 cigar increases to \$4.80.

What other recent events impact my business?

- o Kansas statewide smoking ban - General Cigar (my biggest supplier) states that across the country, they expect every smoking ban to reduce cigar sales by 20%. Every opportunity to indulge in a cigar that is lost is a lost sale.
- o Nationwide economic downturn

What will my customer do?

- o Shop my store in Missouri – hopefully, but Kansas loses sales
- o Shop on the Internet. The Internet controls 60% of the premium cigar market now and pays no taxes. My sales are lost.
- o Not shop - they are not addicted, they may stop shopping altogether

What is the net effect if this passes?

- o My prices rise 18%, my sales volume drops 20% causing net profit to drop dramatically
- o I am selling less but my costs for credit cards, insurance premiums and rent will decrease at a slower rate – causing net profit to drop. These are all tied to gross sales.
- o Where would you buy gas next time if you noticed while pumping gas at \$3.00, the station across the street was selling gas at \$2.46? That is a 28% price difference. Missouri is 1.8 miles away from my store.

Balancing our state budget is a daunting task. But it should be done in such a way that is equitable and fair for all. Examine the state general fund receipts. Income and sales taxes make up 90%. Of the remaining taxes, severance tax and insurance premium tax are the only taxes that contribute more than tobacco. Tobacco makes up 2.1% of the state general fund receipts – more than alcohol – more than all the other taxes. A \$70 million increase will make tobacco the highest tax collected behind income and sales. Smokers make up 22% of the state. This is inequitable, unfair and atrocious. My customers and tobacco consumers in our state did not cause this budget shortfall. Tobacco is already paying more than its fair share. If an excise tax is necessary, there are other fish in our state economy.

Cross border competition is real. Internet sales are real. Bootlegging is real. Putting small businesses out of business to placate bureaucrats and non-profits is real. Put a tax on the stones and those who throw.

Curt Diebel
President
Diebel's Sportsmens Gallery

Sn Fed & State
Attachment 16
3-15-12