



TESTIMONY

TO: The Honorable Les Donovan, Chair
And Members of the Senate Committee on Assessment & Taxation

FROM: Whitney Damron
On behalf of Swisher International, Inc.

RE: SB 233 - An Act concerning taxation; relating to rates of taxation; cigarettes, tobacco products and alcoholic beverages.

DATE: March 24, 2015

Good afternoon Chairman Donovan and Members of the Committee:

I am Whitney Damron and I appear before you today on behalf of Swisher International, Inc., in opposition to the proposed tax increase in Other Tobacco Products (OTP) contained in SB 233.

By way of information, Swisher is a leading tobacco manufacturer whose cigars, filtered cigars and smokeless tobacco brands include the largest-selling cigar brand in the world – Swisher Sweets, among more than a dozen other tobacco products including premium cigars, chewing tobacco and moist snuff. These products are taxed in Kansas as Other Tobacco Products.

Kansas currently taxes OTP at ten percent of the wholesale price, which is the same as the State of Missouri. SB 233 would increase the OTP tax to 25 percent – a staggering 150% increase. Tobacco products are also subject to sales taxes, so this is in essence a double tax increase.

OTP is taxed differently than cigarettes, which are taxed on a per pack basis. Since OTP is taxed as a percentage of the wholesale price, the State essentially gets a tax increase every year as the manufacturers raise prices due to input cost increases and inflation, which necessarily increases the wholesale price and the applicable tax at the wholesale level.

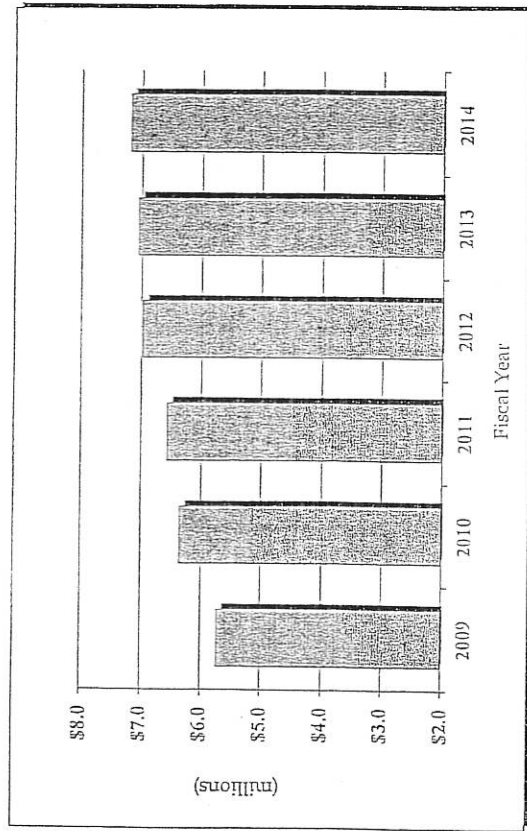
Included with my testimony are charts from the Kansas Department of Revenue 2014 Annual Report. In the attachments, you will see cigarette taxes are a declining revenue source. However, OTP taxes have increased each and every year during this same period of time reflected in the report (2009 – 2014). Accordingly, we would suggest the Legislature recognize this unique feature of the OTP tax system and leave it as is.

Increasing these taxes only serve to driver consumers to alternative delivery methods, including purchasing tobacco products in low tax states and over the Internet, where enforcement of state tax laws is almost nonexistent.

The ten percent OTP tax rate is the same as the State of Missouri. At least there is one product sold in convenience and grocery stores we are competitive with, unlike cigarettes, liquor, gasoline and food. Accordingly, Swisher International would ask this Committee to not advance SB 233 out of Committee.

Tobacco Products Tax to State General Fund after Refunds

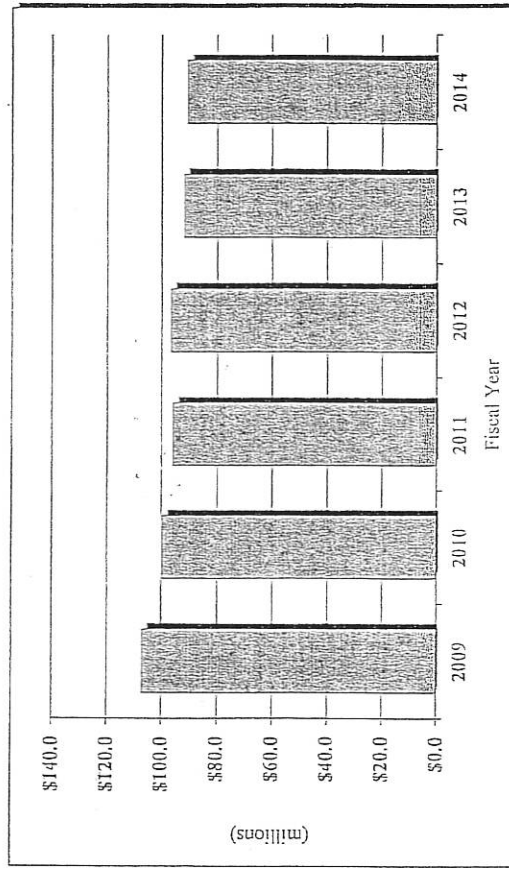
The tobacco products tax was reenacted in 1972. The tax rate is 10% on the wholesale price of tobacco products.



Fiscal Year	Amount Collected	Percent Change
2009	\$5,727,860	3.2%
2010	\$6,352,388	10.9%
2011	\$6,572,849	3.5%
2012	\$6,978,181	6.2%
2013	\$7,056,779	1.1%
2014	\$7,201,144	2.0%

Cigarette Tax Collections to State General Fund after Refunds

The cigarette tax is paid upon the purchase of tax stamps. In Fiscal Year 2003, the tax rate increased from 24 cents per pack to 79 cents per pack.



Fiscal Year	Amount Collected	Percent Change
2009	\$107,215,614	-4.9%
2010	\$99,828,625	-6.9%
2011	\$95,922,881	-3.9%
2012	\$96,661,472	0.8%
2013	\$91,928,001	-4.9%
2014	\$90,611,583	-1.4%