



March 15, 2012

**Memorandum:**

To: Senate Federal and State Affairs Committee  
From: Thomas M. Palace  
Re: Testimony Opposing SB 462

Mr. Chairman and Members of the Senate Federal and State Affairs Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

We stand before you as an opponent of SB 462.

When comparing tax rates between Kansas and Missouri it is no secret that Kansas has higher tax rates for many products. For convenience store retailers the Kansas legislature has always turned their back on an industry that collects millions of dollars in state excise and sales tax.

Increasing the tax on smokeless tobacco is another slap in the face to small business owners that are already at a competitive disadvantage when competing on the Missouri border for gas and tobacco sales. The tax disparity is huge for tobacco and gasoline sales and increasing the tax on smokeless tobacco products gives the consumer one more reason to buy in Missouri rather than Kansas.

I contacted my convenience store committee that reviews legislation and the following bullet points reflect their comments:

- OTP is taxed on a percentage of the cost of the product. If we raise the tax, then we are hit with a double increase; every time the wholesale cost increases, so does the tax.
- The consumer then pays increased sales tax on the increased tax, generated from increase cost.
- If we raise the OTP tax we will not be competitive with Missouri. We will push more sales to internet, across state lines and/or black market.
- OTP represents 7.8% of our inside sales.
- Our industry has been hit with tax increases on tobacco, fuel, phone cards, as well as stiff regulations.

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