

TO: Senate Assessment and Taxation

DATE: March 22, 2018

FROM: Bill Murphy, private business owner

RE: Written testimony in opposition to an Increase in a Tobacco Tax.

Good morning. My name is Bill Murphy, from Atchison, in NE Kansas.

I would like to thank you for allowing my testimony on the proposed and potential increase in the Tobacco Tax of \$1.50 per pack on Cigarettes. I will do my best to not be boring, but give you some personal statistics that our business has incurred over the duration.

I have been in the Convenience Store business in Atchison for 34 years. Our Business has gone through the past increases in tobacco taxes in Kansas and can measure the change with ease, as every time there was an increase, we saw a remarkable decrease in tobacco sales. Here are the boring numbers, but they affect our industry in the worst way. (These numbers are from a single location.) I am using the month of May for these years. In 2008, our unit sales were 12,413, 2012 units were 10,704, and this past year, 2017 only 7,764. This is a nearly 38% drop in unit sales.

While this may seem like a good thing from a health perspective, the unintended consequences tell another story. Our customer count went from 38,573 to 24,655 for said month. Statistics also show that overall sales decreased as well, even with the new elevated price on tobacco. The other unintended consequence was the collection of sales tax, as our collections went down relative to the customer count, as we lost incidental sales. As you can look for yourselves, Kansas had a decrease in tobacco tax revenue in 2017 of over 10%. Interestingly enough, Missouri, our close neighbor, had an increase in

Tobacco sales and tobacco tax. While I am not a smoker myself, trying to compete with my competitors that collect only .17 cents per pack, to a proposed \$2.79 per pack in Kansas, nearly makes us sick. We now fight a large difference in tobacco tax, alcohol tax, and gasoline tax, along with Sales tax on food. With the bulk of Kansas population living within a 60 mile distance from Missouri, you will certainly encourage more people to travel across the state line to save money. While the incidental smoker who may quit, my experience is that most will just change where they buy. Also, as seen in other high tax states, the black market most likely will become a problem.

Thank you for your time and hope your consideration is based on facts, and not the emotional argument that higher taxes will curtail use, when statistics prove other wise.

I will be happy to answer any questions.

Bill Murphy
Atchison Kansas